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ECONOMIC POLICY, ORGANIZATION AND MANAGEMENT

COMBINATION OF BRANCH, TERRITORIAL MANAGEMENT DISCUSSED

Moscow OBSHCHESTVENNYE NAUKI in Russian No 3, 1983 pp 44-56

[Article by Abel G. Aganbegyan*: "The Combination of Branch and Territorial Management"]

[Text] The task of taking better account of and of better combining regional and branch interests was put forward at the 26th CPSU Congress. Especial attention was devoted to the effectiveness of territorial planning and to increasing its role in the development of the country's regions. Let us examine in this connection the interaction of various approaches to production management.

It is possible here, in our view, to distinguish three approaches. First, the problem and goal economic approach in which the final goals of economic development are singled out, and all of the objects (regardless of their branch and territorial membership) whose functioning promotes the realization of a final goal to the greatest extent are included in management. Secondly, the branch approach. Every branch has inherent in it characteristic features in its technology, production process organization, output, professional demands upon cadres, specialization, combination, concentration, use of scientific and technical achievements, and selection and placement of cadres. These and many other matters require a branch approach. Thirdly, the territorial approach. It is connected with a consideration of the regional conditions for the development of social production and, in its nature, is of an inter-branch character, for objects located on a given territory, regardless of their branch membership, are brought into consideration.

They are united by a uniform production and social infrastructure, including a uniform transportation system, the existence of regional construction bases, the use of the labor resources in the region, the reproduction and protection of

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natural resources, and the overall use of the various natural resources located on the territory.

As can be seen, each of the above approaches has its own objective grounds and its own advantages; strong sides and, at the same time, a limited character. Thus, with the branch approach it is not possible to take full account of the territorial communality of various enterprises and organizations, and also of the regional conditions for economic and social development. In resolving various issues from the position of a branch we risk in bringing together the scattered efforts of branches a disturbance of the regional balance of capital investments and labor resources, a worsening of the population settlement system, disproportions in the development of the social infrastructure, and damage to the environment. And, on the contrary, if the branch approach is organically combined with the territorial one, and not only vertical but also horizontal relationships are observed, an additional economic gain in the form of the agglomeration effect can be obtained. For example, the creation of a complex of enterprises from different branches on a single territorial site makes it possible to base their development on a common infrastructure, which provides an economy of capital investments of 15-20 percent. At the same time, a predominance of the territorial approach to management (as was the case during the period of the work of the sovnarkhozes at the end of the 1950s and beginning of the 1960s) creates difficulties for the realization of a uniform scientific and technical policy in the development of the branch, for the cooperation of enterprises located in different regions and within the branch, for an improvement of specialization and concentration, and so forth.

Thus, if one views the process of management from the point of view of the achievement of a total optimum in the economy, it can be seen that neither the narrow branch nor the narrow territorial approach will produce this kind of economic optimum. The total of branch plans which are optimal from branch positions do not yield an economic optimum, just as it is not yielded by the total of optimal territorial plans. Branch and territorial planning has to be coordinated from national economic positions, since only with a joint optimization is it possible to achieve a total optimum.

These ideas are used in the construction of a system of optimal mathematical economic models for the planning and management of the economy. This system provides not only for direct relations (for example, from branch decisions to territorial decisions), but also for reverse ones which give rise to the necessity for correcting branch decisions with regard to a fuller consideration of regional factors. Of course, both the former and the latter are realized from national economic positions; for this reason, branch and territorial models are preceded by national economic models. Consequently, the results of the accomplishment of economic tasks in these models serve as the point of departure for their concretization on branch and territorial levels.

With an exaggeration of the branch approach departmental tendencies appear which go counter to the interests of the development of the economy as a whole. Correspondingly, with an exaggeration of the territorial approach local interests are opposed to economic interests. And only an organic combination of branch

and territorial management from economic positions provides the antidote to these tendencies and interests which undermine the principle of democratic centralism in the economy.

In the socialist economy which develops in a planned manner the basis of management is, of course, the plan. In such a large country as ours the territorial aspect of planning is especially important. It is not only that the territory of the USSR comprises more than 22 million square kilometers, and that it includes natural and climatic zones that begin with the deserts and subtropics of the South and go to the taiga regions of the tundra and even the Arctic deserts in the Far North. The historically developed unevenness in the development and siting of the productive forces in the different regions of the country is of great importance.

While the scope of the development of the USSR economy and its component regions was relatively small, each of its macro-zones (the European part of the USSR, the Urals, Siberia and the Far East, and Kazakhstan and Central Asia) basically satisfied their needs for the natural resources necessary to them on the basis of their own production with relatively modest cooperation between the zones. In particular, the European part of the country and the Urals, while possessing only one-tenth of the country's energy resources, covered almost all of their needs for fuel on the basis of the intensive exploitation of the coal of the Donbass, of Baku and Povolzh'ye petroleum deposits, and of natural gas stocks. However, the dimensions of the economy gradually expanded, and in certain regions the intensively utilized resources were becoming increasingly exhausted. As early as the beginning of the 1970s the extraction of fuel in the European part of the country and in the Urals had basically become stabilized, and their increasing need for fuel and energy resources began to be increasingly satisfied on the basis of the fuel bases of Siberia, Central Asian gas, and Kazakhstan coal. This also applies to the use of timber resources and individual types of mineral raw materials.

A turning point occurred during the 10th Five-Year Plan: in the European part of the country and in the Urals the extraction of fuel began to decrease as a result of a decrease in coal mining in the Donbass, and a decrease in the extraction of petroleum in the Povolzh'ye. Now Siberia had not only to supply fuel for expanded production, but also to make up for the shortage which arose on account of the decrease in traditional supplies. Timbering and the extraction of a number of types of mineral raw materials--nickel, copper, tin, tungsten, raw materials for the production of aluminum and others,--began to be relocated in the East.

All of this gave rise to an enormous change in the development of the productive forces of the country in the East. The fundamental changes in the siting of the productive forces require a new approach to the combination of territorial and branch planning and management.

Such large changes in the siting of the productive forces demand a concentration of labor and capital on the creation of large new fuel and energy bases in

Siberia, and also of a large-scale exploitation of timber, mineral, and other resources. This kind of concentration of labor and capital is achieved with the help of state regional programs for the development of the productive forces. At the present time tremendous programs are being realized in Siberia. The first of them is the formation of the West Siberian petroleum and gas complex. A region for the extraction of hydrocarbon raw materials has been created on an enormous territory of the taiga and swamps of the West Siberian plain. The formation of energy industrial complexes in the Angaro-Yenisey region is a major state program which has been in the process of being realized for more than 30 years now.

The experience involved in carrying out the above programs shows how effective large-scale state measures can be when they are realized in an overall manner. The program decrees of the CPSU Central Committee and the USSR Council of Ministers on the development of the productive forces of Western and Eastern Siberia were the key documents defining the direction of the efforts of all branches and regions.

Regional programs are becoming more complex: they are beginning to have an increasingly multi-goal character and, consequently, increased demands are being made upon them. Recently special-purpose overall programs for the development and siting of the productive forces have been worked out. The first one was the program for the economic development of the Baykalo-Amur Main Line (BAM) Zone.

Its development was stipulated by the 12 July 1979 Decree of the CC CPSU and USSR Council of Ministers, "On Improving Planning and Strengthening the Influence of the Economic Mechanism on Increasing Production Efficiency and the Quality of Work." The elaboration of this program is now drawing toward a conclusion.

The plan for the program provides for the creation of a new industrial zone in our country in the area of the influence of BAM which covers an enormous territory of 1.5 million square kilometers. This industrial zone will consist of an interconnected chain of territorial production complexes (TPC) and large industrial centers located along more than 3,000 kilometers of the tract. If we move from the West, we will have: the Verkhnelensk TPC with a large timber industry complex and with a production of potassium fertilizers, and, in the future, with a petroleum and gas industry; the North Baykalo TPC with an ore mining direction, as well as the Mamsko-Bodaybo ore mining region; the Udokan Concentrating Combine based on the very rich copper ore deposit in the North of Chita Oblast; the South Yakutsk TPC--the pearl of BAM,--with a large amount of coal, iron, apatites, and nonferrous metals mining; the Tynda Industrial Center; the Svobodnyy Center; the Urgal coal basin; and the Komsomol'sk TPC with metallurgy, petroleum refining, and a developed machine building.

As can be seen, individual territorial production complexes become formed within the large regional programs--a multi-branch combination of production located on a limited territory which has a single production and social infrastructure and a system of settlement, and the purpose of the overall use of the natural resources of this territory and of the creation of comfortable living conditions so that labor power may be attracted and made permanent and the environment protected.

It would be incorrect, as is sometimes done, to consider the TPCs by themselves, in isolation from a state regional program of which they are elements. The problems of planning and management cannot be solved by them in isolation. The future overall programs for every TPC also have to be within the framework of the special-purpose overall programs for the development of the productive forces.

On the basis of the programs and the long-term plans which concretize these programs for the forthcoming 5-10 years there should be created, in our opinion, an overall plan for a TPC which provides for the creation of complexes of enterprises from different branches on a given territory, for settlement systems, for the creation of food bases, and so forth. Its composition could be carried out under the direction of the zonal planning organization, with the enlistment as subcontractors of branch planning organizations which will plan the objects of their branch, orienting themselves toward work on the common infrastructure, the development of cities and settlements, general environmental protection measures, and so forth. Correspondingly, the coordination of the action of various branches within the TPC can be performed by a specially created all-union agency (commission) which is responsible for the realization of regional programs.

But the most important thing, of course, is the development of the overall special-purpose program itself. It is the pivot on which the entire system of planning and management revolves.

An overall special-purpose program for the development of the productive forces in a region is a system of interconnected measures aimed at the realization of the national economic goals of economic and social development which are connected with the use of the region's natural resources. The measures are supported by the necessary resources and have a stage-by-stage character. The establishment of the goals toward whose realization it is directed is the constituting element of the program. Usually a program has a multi-purpose character.

For example, the realization of the program for the construction of BAM and for the economic development of its zone is making it possible to improve transportation communications between Siberia and the Far East, and to create a second railroad opening to the Pacific Ocean for our country. At the same time, the construction of BAM will make it possible to create the conditions for the exploitation of natural resources in the vast zone which gravitates toward the trunk line, which in time will make it possible to form a new industrial zone in the East of the USSR. The realization of this program will create a transportation support line and an industrial springboard for the future economic development of new areas located to the North of the BAM Zone. New trunk lines will stretch from BAM to the North, and gradually ever larger areas, and the Near North in the first place, will begin to be developed. BAM and the productive forces developed in its zone will also be of great importance for strengthening the Soviet Union's foreign economic relations, especially those of its eastern regions, with the countries of the Pacific Basin.

The goals of an overall program are concretized in the tasks which have to be accomplished at every stage of its development. Goals and tasks can be realized in different alternative ways, with varying degrees of effectiveness for the resources which are utilized. In order to better understand, and also to discover the most effective alternative ways of realizing them, it is useful to make use of the methods of systems analysis in constructing a scenario--pictures of the future.

For example, in working out a program for the development of the productive forces of the macro-zone which includes the areas of Siberia, the Southern Urals, Kazakhstan, and Central Asia, and which is connected with the possible shifting of a part of the flow of Siberian rivers to the South and with the creation here of a highly developed agro-industrial complex, an attempt was made to construct three scenarios of the future development of the productive forces. The first scenario proceeded from the assumption that present economic and social development tendencies would continue. It demonstrated great difficulties in supplying a developing agriculture and other branches with water resources in the areas of Southern Kazakhstan and Central Asia. The second scenario was worked out on the assumption of a more intensive use of water in the southern areas (a shift from the extensive reconstruction of old irrigation systems to a limitation upon the further expansion of irrigated lands, to the extensive enlistment of workers in industry, and so forth). The scenario disclosed substantial internal reserves for increasing the effectiveness of the agro-industrial complex in these areas on the basis of a better use of water resources. The third scenario which was made up on the basis of the shifting of part of the flow of Siberian rivers into Central Asia and Kazakhstan provided for the large-scale development of agriculture and industry in the zone adjoining the canal.

In working up the scenarios especial attention was devoted to strengthening the integration of the economies of Siberia, Kazakhstan, and Central Asia. In particular, consideration was given to the organization of a "green bridge" between Siberia and the southern areas involving the delivery from the Central Asian republics to Siberia of heat-loving vegetables, fruits, and melons, and of potatoes and dairy products from Siberia to the South. Increased integration was also provided for in the development of ferrous and nonferrous metallurgy, the fuel and energy complex, and the branches of the timber industry and of chemistry.

The comparison of the economic and social indicators which characterized each scenario was performed on a multi-criteria basis. Not only were the indicators of economic efficiency taken into consideration, but also the social results of various measures, and the possible remote consequences, including ecological ones. With this kind of analysis the picture that is received is, of course, not a simple one. There are "fors" and "against" each variant. All of the contradictory indicators have to be evaluated and, insofar as is possible, adduced to a single denominator from all-union positions.

The difficulty connected with an integral evaluation of one or another variant is a result of the fact that the criteria on the basis of which the variants

are selected cannot by their very nature be reduced to a single measure; they cannot be expressed by a single number as, for example, economic efficiency indicators can. It is necessary to work on methods of ranking quantitative and qualitative social and economic criteria, of comparing their importance, and of giving fuller consideration to individual consequences.

Of especial importance is the approach which is based on an analysis of the adaptive properties of an economic system which is being formed: how reliable and flexible is the system, and can it be constructed with regard to changed conditions. This is especially important in analyzing the development of agriculture--the chief problem which arises in connection with a consideration of the plan for shifting a part of the flow of Siberian rivers to the South. How, for example, will the solution which has been chosen be influenced by dry and arid years? After all, the decision has to be made in the face of a certain indefiniteness regarding future periods.

The selection of one or another variant of a regional program, especially in the time aspect, depends to a large extent upon the resource capabilities of the entire economy. Usually the situation is as follows: it is possible to obtain a much greater result, but this presupposes additional capital investments, the enlistment of additional workers, and so forth. At certain time intervals the state may not possess such capabilities, and then the minimal variant has to be accepted. One example is the problem of the economic development of the BAM Zone. The greatest result there can be obtained if the infrastructure which has been created and, above all, the main line itself is used intensively. But this requires the development along the tract of a large number of mineral deposits, and this is connected with additional expenditures.

The development of a special-purpose overall program makes it possible to more directly connect final goals and the resources necessary for their achievement. An approach to planning and management based on an orientation toward the achievement of final economic results is fully embodied in the program. The effectiveness of the results obtained should be evaluated not from narrow branch or regional positions, but from broad national economic positions.

Measures which concern various branches and areas are associated together in the program. Diverse measures are connected and united by the fact that they are directed toward the realization of single goals: the development of the productive forces of the given region. For within the program there are technical, production, economic, social, organizational, and other measures, and all of them are subordinated to the task of achieving the best final results. The comprehensiveness and overall nature of the approach to the solution of a major regional problem is an inalienable feature of the program. However, if programs which are actually being carried out were to be looked upon from the point of view of their overall nature, be it the program of the formation of the Western Siberian petroleum and gas complex or the Angaro-Yenisey program, a number of lagging elements in the solution of territorial problems can be noted. Usually the program documents contain a detailed presentation of the solution of production problems, and, as a rule, construction problems are considered in a less overall manner. The lagging of construction bases is

a chronic defect of a number of the regional programs which are being carried out.

The realization of a regional program is connected with enormous amounts of construction. This presupposes the creation of construction organizations which are unique in their capacities. For example, a collective of more than 130,000 people is working on BAM. Such collectives have to be based on construction bases, including rear-echelon ones, which are located in nearby areas with more favorable living conditions. At the same time, these collectives have to have a work program not only for the next several years, but for the next 5-10-15 years. In our opinion, it would be useful to organize, as it were, a large construction stream connected with the movement from the development of one area to the development of the following one. However, on account of shortcomings in long-term planning, this kind of stream is still difficult to realize.

A bottle-neck in the overall development of the productive forces is the lagging of the infrastructure and, above all, of the transportation system. Thus, in the West Siberian petroleum and gas region the single track Tyumen-Tobok'sk-Surgut-Nizhnevartovsk Railroad was put into operation three to five years late. After it was put into operation it became clear that its capacity was low. And urgent measures have to be taken to undo bottle-necks whose number has been increasing every year on account of an increased freight flow. There will have to be a further development of transportation in the areas of the Far North of Tyumen Oblast where the basic capacities of the USSR's gas extracting industry are being moved.

In developing the productive forces in new areas the chief emphasis is put on the use of the most modern equipment. For this reason, a section on the production of highly productive machinery and equipment and on supplying it to the objects included in the program is an organic component part of every regional program. Every region has its own natural and climatic and geological mining conditions and, for this reason, it is often more effective to use not ordinary, standard equipment, but specific equipment. In many areas of Siberia, for example, it is extremely important to supply equipment in a northern version (ordinary equipment breaks down 5-10 times more frequently during the winter). This aspect of regional programs is still being insufficiently worked upon.

In our view, it is necessary to have a special regional scientific and technical policy as an inseparable component part of the regional programs. Machine building centers should be singled out and strengthened in a centralized manner, and the reception of equipment and materials should be performed with regard to development conditions. What has been said applies not only to machinery and equipment, but also to piping for gas pipelines or for drilling.

A substantial place has to be assigned in the regional programs to environmental protection measures. Recently when new objects have been built increasing attention has been devoted to the creation of treatment plants and to the protection of water. However, the situation connected with the protection of the air is not good. Enterprises and ministries do not bear the necessary

material liability for environmental pollution and for damage caused by them. Aluminum plants, for example, cause damage to nearby forest tracts, but they do not compensate this loss. At the same time, the possibility exists of reconstructing their floating shops, and of transferring them to a modern closed technology which minimizes the discharge of harmful substances into the atmosphere.

The productive forces are increasingly moving to the North, to the areas of permafrost where nature is especially vulnerable. The coniferous trees here have been growing for 120-150 years, and the soil cover is very thin and even the passage of cross-country vehicles destroys it. Many hollows are poorly aired, and during the winter there take place inversion phenomena in which the cold air presses the warm air to the earth, including warm air emitted from boiler room pipes. Because of the frozen water rivers do not cleanse themselves well and carry the harmful substances discharged with the waters of industrial enterprises for a longer period of time. All of this requires the development of special sections on the efficient use of natural resources and on environmental protection within the overall regional programs.

Among the weak links in solving regional problems especial mention has to be made of the social infrastructure. In the development of a new area high regional coefficients and northern privileges are established in order to attract labor power. But there is a chronic shortage of housing. The average norm per inhabitant in the new areas is 1.5-2 times smaller than in settled areas. This is largely connected with the insufficient development of rear-echelon housing and social construction bases. It is also necessary to give more attention to the development of the agro-industrial complexes in the areas of new development.*

We have considered individual shortcomings characteristic of the development and realization of present programs in order to attract attention to them and to prevent them in future regional programs. One must proceed here from the fact that each of these programs has a state character in the sense that its realization requires the concentration of the labor and capital of the entire economy.

An examination of the branch and territorial factors which determine the most efficient functioning of enterprises in the system of the country's economy has shown that branch factors can be considered above all in the process of the day-to-day management of enterprises by a branch agency, while territorial factors have a more future-oriented character and can be considered in the development and realization of future plans.

At the present time the branch, departmental approach predominates in management. For this reason, an efficient combination of branch and territorial

*The problem of combining branch and territorial planning in the agro-industrial complex is an important question which requires special consideration.

management is connected first of all with increasing the role of the territorial approach, and with taking fuller account in management of regional conditions. Of key importance is the supplementing of the branch, departmental cross-section of the plan with a territorial cross-section, and with the organic coordination of these equal cross-sections of the state plan from single national economic positions.

Until recently the plans' addressed assignments were constructed in a departmental aspect for territorial units; the assignments were given to enterprises and organizations directly subordinate to territorial agencies. . . . With this approach it was not possible to take account in the plan in any full way of the regional conditions of reproduction, since these conditions have an inter-branch character and concern enterprises and organizations regardless of their subordination. A territorial plan has to include all of the enterprises and organizations located on a given territory. Only proceeding from this is it possible to plan the development, for example, of a transportation system in a region or of a social infrastructure.

The 12 July 1979 Decree of the CPSU Central Committee and the USSR Council of Ministers provides for a system of measures to strengthen the territorial aspect of the plan and to efficiently combine branch and territorial planning. The USSR ministries and departments have been ordered to improve the development of draft plans for the development of branches in a territorial breakdown, and to ensure their joint consideration in the Councils of Ministers of the union republics. They are obliged to report the control figures and the basic indicators of the draft and approved plans for the production associations and organizations of union subordination located on the territory of a republic, and also to ensure the presentation by departmental enterprises and organizations (at their locations) of these indicators to kray, oblast, and city planning commissions and to the Gosplans of autonomous republics. At the same time, in addition to the draft plans for their subordinate enterprises, the union republic Councils of Ministers will have to work out and present to the central agencies proposals on the draft plans of enterprises and organizations of union subordination, which will promote the overall economic and social development of a republic.

The basic indicators of the plans of enterprises and organizations of union subordination which are located on the territory of a republic will now be included in the state 5-year and annual plans for the economic and social development of the union republic.

The local agencies of Soviet power, from the republic to the city, are being given the responsibility for drawing up and approving summary 5-year and annual plans for the production of local construction materials and consumer goods, and plans for municipal housing and cultural and domestic construction, and also control over their fulfillment. A territorial balance for the production and distribution of the most important types of output will be made up, and, in accordance with it, schemes of optimal freight flows for mass freights will be defined.

The role of local labor agencies is being increased in supplying enterprises and organizations with labor power and in finding work for released workers. Labor resources balances will be worked out in a territorial breakdown.

The working up within the state plans for the economic and social development of union and autonomous republics, krays, oblasts, cities, and rayons of summary calculations for the entire complex of measures in the field of social development will acquire great importance. Measures will be provided here to improve working conditions, increase the qualifications and vocational skills of workers, raise the general educational and cultural levels of the population, improve housing and cultural and domestic conditions, and to improve medical services, and other measures in the field of social development in coordination with the assignments to develop production and capital construction and increase their efficiency.

In 1981 the CPSU Central Committee, the Presidium of the USSR Supreme Soviet and the USSR Council of Ministers adopted a decree which increased the rights of the agencies of Soviet power in the krays, oblasts, autonomous republics, and cities and rayons in economic construction.

In our opinion, the administrative-territorial division of the RSFSR is a definite restraining factor in strengthening the territorial cross-section of the plan. It developed historically under the conditions of the predominance of the branch principle of management, during the period when the dimensions of the economy were relatively small and the connections between enterprises and organizations located on a given territory were not as complex and interwoven as today. Recently integration tendencies in the development and siting of the productive forces have become sharply stronger, and this objectively requires an increased role for territorial planning and management.

At the present time the Russian Federation has concentrated in it 70 unsubsidiarized administrative territorial units--krays, oblasts, and autonomous republics. Most of them are relatively small with regard to their territory, economic potential, population, and natural resources, and are able to do little to provide for overall economic development by themselves. They do not have agencies which would be capable of working up a territorial plan and controlling its realization.

The creation of a scientific planning base for territorial planning and management is of especial importance. At the present time there is practically no such regional base, but there is a developed branch scientific planning base. Large branch planning institutes have their local branches and are powerful conductors of branch interests. There is today no "counterweight" to such branch organizations in the kray and oblast. Information concerning rayon conditions is of a scattered character and is nowhere generalized. Nor are there any powerful scientific planning organizations which during planning would be able to give professional consideration to rayon conditions. For this reason summary plans for the formation of territorial production complexes are not developed to this day. The complexes in fact are formed from the scattered planning efforts of branch organizations, one of which plans a hydro-

electric power station, another--an aluminum plant, a third--a road network, and so forth.

Thus, the difference in scientific planning support for the branch and territorial approaches in management is very great. If, however, every kray had a special zonal institute of territorial planning and rayon layout, it would concentrate in itself and develop and deepen the mass of rayon information. Such zonal institutes would be able to develop a general plan for the territorial production complex, while the branch institutes which plan the individual objects in this territorial production complex would, as it were, be their subcontractors, and would base themselves in branch planning on a thorough consideration of rayon factors.

We have been speaking above about management in the broadest sense of the word, including planning, organization, coordination, a system of economic levers and stimuli, economic interaction, performance control and verification, and so forth. And it would be incorrect to reduce the combination of branch and territorial management solely to the question of combining branch and territorial planning, or to the question of the formation of branch and territorial managerial agencies and their interaction. All of the elements of management are inseparably interconnected and comprise an integral economic mechanism. The necessity for such an approach was pointed out by the General Secretary of the CPSU Central Committee Yu. V. Andropov: "It will be necessary to further improve the siting of the productive forces, regional specialization and cooperation, and the schemes for economic relations and shipments. The task, of course, is not a simple one. But it has come to the forefront, and its accomplishment promises a substantial gain."*

*Yu. V. Andropov, "Sixty Years of the USSR. Report at a Joint Festive Meeting of the CPSU Central Committee, USSR Supreme Soviet, and the RSFSR Supreme Soviet in the Kremlin Palace of Congresses on 21 December 1982," Moscow, 1982, p 11.

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ECONOMIC POLICY, ORGANIZATION AND MANAGEMENT

ISSUE OF KHOZRASCHET CONTRASTED WITH DEFICITS, SHORTFALLS

Moscow SOVETSKAYA ROSSIYA in Russian 24, 26, 28 Jun 83

[Serialized article by A. Matlin, doctor of economic sciences, professor:
"Khozraschet and the Deficit"]

[24 Jun 83 p 3]

[Text] What are the economic concepts most often encountered? The plan, prices, wages. These categories are understood. And what about deficit-- a word that, it must be said, is not at all definite for many of us? It means a deficiency or shortage of something. But how does this shortage come about? Why does the deficit not disappear as output increases? Let us try to sort this out.

I recently had occasion to make an expert evaluation of the economics of heavy excavators. The Izhorsk plant produces two types: the EKG-8 (with an 8-cubic-meter scoop) is one of the basic machines used for mining work. And now the designers were proposing a model with a scoop capacity of 12.5 cubic meters and certain other improvements in its technical features. The experts calculated that the productivity of the new machine would increase by a factor of 1.5. And this is not bad, and with one voice the representatives of the mining industry affirmed that they needed the new excavator.

However, a thorough analysis of a broad range of technical-economic indicators gave cause for concern. It turned that the 1.5 productivity rise had been achieved by the designers by means of increasing the weight of the machine 80 percent. This meant that the new excavator would need more metal and that labor costs on fabrication would increase. The result was that resources of metal and energy, the production area and the labor force, which, as we say, are in deficit, would be used to produce one excavator instead of two capable of carrying out a larger amount of work.

There are many such examples. The first source of a deficit occurs where the people responsible for something make economically ineffective technical and design and planning decisions. In a conversation with one of the managers in the economic service of a plant I remarked that by rights the price of the EKG-12.5 excavator cannot be higher than 1.5 times the price of the earlier

model. Although the innovation cost the plant twice as much, society should not have to pay for this work. In response I heard the following: once the machine is needed by the mining industry and provision has been made for its production in the state plan, the excavator should not be made unprofitable. But I still managed to make my interlocutor see the state's viewpoint. He asked for time to work on it so as to exclude the new machine from the plan for the following year. So there you have, the plan! At first it was included because it was "necessary," and then it turns out that it can also be excluded--now it is unprofitable, and even more so since a new plant that can produce this output is almost ready.

Let us leave the Izhorsk plant, which operates no worse than others, and think about what happens in planning. The task of the orchestrator of our enormous national economic mechanism is to insure the correct determination of task priority and select the most efficient ways of achieving high final results. This is the fundamental problem of all planning work and our entire "economic ideology." Formerly, what was required of economic executives was to insure plan fulfillment "at any cost." It was also necessary to produce as much as possible and as well as possible. I recall how 30 years ago, when I set out to carry out my duties as city planning commission chairman, I went to my predecessor for consultation. "Make it simple," the older comrade advised me. "take the arithmometer, set the coefficient at 1:1 and multiply it by all the indicators. You know that here in the country the annual growth rate must be 10 percent." The leading principle then was planning "from the level achieved." Now it has become more skilled: the "Feliks" arithmometer has been replaced by the computer.

Today, planning "from the level achieved" is increasingly contradicting the more complete satisfaction of demand. The basic problem and the basic complexity in planning has always been and will be in fact the correct determination of demands. This kind of work requires very high economic and scientific-technical skills and an understanding of the many important mutual links in economics and society. I would like to distinguish two of them. First, total demand can never be the total sum of demands by individuals or individual organizations. To put it more simply: while you may need something this still does not mean that everyone needs it. The following "experiment" was conducted in a certain field. A very detailed and careful analysis was made rayon by rayon of questions of capital construction. Then all the plans for the rayons were set up, and it turned out that the sum of projects in the plan by rayons was three times greater than the volume of allocations for the oblast. At first glance, an accurate decision was simply unrealistic: it was impossible to set all the targets and some sequence had to be established for their resolution. It is precisely thus that we always refer to the need to subordinate private interests to public interests. Our possibilities lag behind our wishes, and their correct "weighing" should always be the first precept of each planner and each manager.

The second feature determining demands in the national economy is that, along with the direct links in the production of various products, there is always also a very complicated and ramified, indirect link. For example, in order to generate electric power, coal is needed. Knowing the consumption norm it

is possible to plan an increase in the production of the fuel and the electric power in direct proportion. But in practice this kind of plan is unrealizable. The fact is that in order to recover coal, electric power, metal and equipment are needed. In turn, it is necessary to again have coal and electric power to produce the latter, and so forth.

For two decades the way to apply the intersector balance for production and the distribution of output has been calculated by computer. It is impossible to catch the qualitative measure of the indirect links in the national economy in any other way. In particular, total national economic expenditures of coal for the generation of electric power is in fact double the direct links. This means that if we "coordinate" plans for the development of two sectors taking only direct links into account, we will be doubly wrong.

Therefore, it is impossible to "reduce" the plan to a totaling of what is offered by the sectors. The plan must be worked out. The sum of demands in the sectors does not equal the demands of society. But, just as the productive force of a labor collective is greater than the sum of the labor productivity of each individual worker, the productive force of our common labor collective--socialist society--is immeasurably greater than the sum of the productivity of the individual enterprises. The task for the system of planning and management is precisely to bring these powerful social forces into play. As was noted at the CPSU Central Committee June Plenum, for this it is essential that each individual carry out in fact his own obligations.

The ministry as the head is responsible for satisfying demand in the national economy and consumer demand for output of the required assortment and quality. And for this it is essential first and foremost to substantially improve the very determination of demand, which in our system of management can and must be done only by the planning organs. The deficit most often becomes more acute when expenditures and incomes and desires and possibilities are out of balance. We call things by their names: a deficit of any amount is a manifestation of disproportion in the development of our enormous economy.

It is possible to program without disproportions? It is not only possible but primarily necessary. It is with the plan that the struggle to overcome the deficit starts. But even with the most ideal plan, the task of its fulfillment still remains paramount.

I remember the following incident. One winter's day the rayon chief held a meeting of two kolkhozes on the subject of amalgamating them. After the introductory statements, the rayon secretary offered me the floor to report on the economic advantages of amalgamation. Speaking honestly, they did not listen very attentively. I know now, anyway, that indeed there was not really much to listen to. But the folks livened up and voted in favor of the amalgamation as soon as they learned that the chief agronomist at the machine-and-tractor station, a man well known and liked in the rayon, had been recommended for the post of chairman.

I was assigned to remain for several days with the new chairman. A team leader woke us up at five o'clock in the morning. "What shall we do, comrade chairman?"

"Should we spread the manure?" "With what?" "Use the horses" "We have horses but no horse collars." "Where are they?" "In the store" "We must buy some." "With what? There's not a penny in the kolkhoz cash box."

And then the young chairman took a roll of money out of his pocket (his vacation money from his previous place of work) and counted out the necessary sum. This was how it started at the new kolkhoz. There is probably no simpler truth than the understanding that without sources of income no kind of production is possible. But in this particular example, even though money was available (in the chairman's pocket), the horse collars were in the store. In other words, nothing is possible without money, but the money itself must be used and there must be goods available to buy with the money.

When I returned to the city, the director of the city industrial combine came to me in the rayon planning offices asking for help. He had to contract with his clients that his output would be paid for at a certain time so that funds would be available for paying wages. The enterprise was over its ears in debt but technically it was able to operate. But without timely payment of the wages for its workers and employees it would cease to exist. And the director was caught between the rollers of a mangle: he not only had to organize production but also had to think about the collective's financial situation.

Recalling those times, the thought inevitably comes to one that our economists have made no mistake when they assert that this was only formal khozraschet, while now we have switched to "full" khozraschet. On the other hand, is not present khozraschet a hothouse system, when enterprises have at their disposal the financial resources "on demand" and not according to how they have used them? Perhaps this also sounds incomprehensible for some people. But the question may be posed differently.

If an enterprise has only modest financial resources and it must use them to acquire essential raw materials and materials and for the timely renewal of equipment and generally to maintain operations in good order, then it is probably incorrect to call this formal khozraschet. This name is more suited to the kind of order when production enterprises have at their disposal the financial resources, production capacities and labor force but are unable to build up output.

We might ask the economists this: is khozraschet possible at all under conditions of deficit? Indeed. Let us assume that an enterprise has used up its reserves of raw materials and materials to produce output. Output has been sold, money received. Now money must be used once again to buy raw materials and materials, but there is none. The production process is interrupted. They bustle about, they get what they need, they start to work again. But time has been lost, equipment has been standing idle, people have been doing nothing, and they have to be paid for this idle time. Can we seriously talk about khozraschet here? It is more like nonkhozraschet. How can this be?

The economists suggest only that the organization of production be improved, that planning is not done from the level achieved, that indicators and much else, whether useful or just unnecessary, be changed. But here, it seems to

us, a very important circumstance is missed. All economic mistakes start from the point where money is available but there is a shortage of output. It can, of course, be said that more must be produced. Then the managers answer that this is impossible because all resources are scarce--natural, material, labor.

But what, notwithstanding, is not scarce for any industrial enterprise, kolkhoz or sovkhoz? Most often it is money and money income. Then perhaps everything should be turned round: is it that it is primarily money that is scarce? When possibilities lag behind desires there is always a need to determine a sequence for satisfying these desires. Making provision in the plan for this sequence is an essential but inadequate condition for resolving the task that has been set. In essence, the entire economic mechanism and the great variety of economic and social relationships act on the formation of personal and public demand. It is therefore important to determine in a planned way not only the volumes of output needed for society but also all the factors on which demand itself depends. Otherwise there is a deficit, which in the final analysis trickles down into lines at the store counter and to demand being diverted into savings accounts.

It is recalled that during the Sixties some economists actively spoke out against the lines in the stores. They rightly thought that with the lines the distribution of material goods and services become dependent not on the amount and the quality of an individual's labor but on other quite different and often very subjective factors. Under these circumstances those entrusted with the distribution of goods and services through the trade network have opportunities for taking advantage of their official positions to derive extra income not worked for.

As a recipe for doing away with the lines it was proposed that retail prices be raised. True, there was foggy talk about the need to "take account of demand" when setting prices. And perhaps it would be better to have high-priced goods on the store counters rather than empty counters? However, this of itself does not solve the problem of overcoming the deficit. The fundamental basis of our planning should be the determination of public demand and methods for satisfying it. Consumer demand is population demand. The right to satisfy this demand is prescribed by the bank notes issued by the state. And if it is impossible to acquire a needed commodity using these notes, then it means that somewhere some important economic links have been disrupted.

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[Text] It was easy for Robinson Crusoe to solve his everyday economic questions: he himself defined his demands and he himself satisfied them. He found somewhere to live, solved the problem of food and later of clothing, and then he set up his house in good order and set about satisfying his spiritual requirements by keeping a diary and reading the bible. These same problems are solved in a similar way in each family. There is a certain amount of income, there are set prices for essential goods and services. And so each family calculates for itself in what sequence and to what degree the family needs are satisfied. Consider carefully for yourself how you do this: by sequence, depending on the acuteness of need, according to income and after a good "look around" for the commodity.

It should be exactly the same in each enterprise: it gets money from the sale of output and calculates what it must acquire in order to continue production, improve working conditions and increase productivity and interest people in working in their own collective. But there is also the problem, and we repeat this, that income from sales is not always enough to acquire everything that is needed. At the same time, it is clear that society cannot use more material resources than those produced. This means that in economics it is necessary to proceed from what is possible.

Remember that demand by individuals, their collectives and society as a whole can be satisfied only in a certain sequence. K. Marx put this convincingly: "Mankind has always set for itself only those tasks that it can resolve, since the short-term consideration always shows that the task itself arises only when the material conditions for its solution are already to hand, or at least in the process of being established."

And how is the sequence determined in economics? It is obvious that a line in a store is by no means the best ways of solving the problem. It is much more sensible to create this sequence in production itself. This can be done only in the case where all monetary incomes--the state's, enterprises' and individuals'--reflect the real contribution to production, so that a real material value stands behind each ruble paid out.

Comrade Yu.V. Andropov drew the attention of each member of society to this aspect of the matter when he noted the impermissibility of violating the objective economic requirement that labor productivity growth must be preferential. Without the closest link with this decisive factor, wage increases that at first exert an apparently favorable effect ultimately ineluctably have a negative effect on all economic life. In particular, it gives rise to demand that cannot be fully satisfied at a given level of production and it hampers elimination of the deficit with all the ugly consequences that cause justified indignation on the part of the workers. It is precisely this kind of approach to the matter that should be the basis of economic thinking both by managers and by all workers.

The workers receive their wages from the enterprises at which they work from the monetary income that the enterprises obtain from the sale of output. Therefore, the whole ball can be unwound only when we analyze what the economic activity of enterprises, kolkhozes and sovkhozes is based on. And these are monetary incomes, which are determined by the amount and quality of output and the prices set by the state for this output. In general, no matter from which side you approach the problem of the deficit, in the final analysis economic logic leads to the prices for industrial and agricultural output.

Enterprise incomes are born along with prices. In price determination, money fulfills its primary function, namely to be the measure of worth. And if, as we have already said, there are more rubles than material goods this is proof that the prices for industrial and agricultural output are higher than their worth and actual production costs are higher. In the lively discussion of our urgent economic problems there is no author who has not touched on this

problem or criticized pricing practice and offered his own recipe for price setting. The loudest voices are of those who say that there is nothing strange in this, that the basic defect in wholesale and retail prices is that they match actual production costs. They see the way out of the situation in establishing prices not according to costs but as a function of the degree of scarcity for any given product. Of course, taking account of the consumer properties of output is part of price forming. On a thoroughly unscientific basis it can be asserted that a better quality and more efficient article should not be cheaper than an article not so good. But now the question is how to measure different degrees of usefulness.

I recall that I had to participate in a study of price-forming practice for cars. The problem was as follows. At that time, in the early Sixties, a situation had come about in the automotive industry in which the highest production costs were for the "Zaporozhets" with lower costs for the "Moskvich" and the lowest costs of all for the "Volga." Similar articles in the industry were differentiated according to their technical features and consumer properties and not according to production costs. Price setting by means of adding production costs and a profit norm that was the same for all models led to a contradiction with the need to build up the kind of price relationships that would reflect the differences in consumer properties and the savings derived from identical or similar output.

The solution proposed for this contradiction was then (1962) the parameter method for price forming in which the methods of mathematical statistics were applied. They have now received general recognition and are used extensively.

This example shows that when a problem in economics arises and practice poses the question, then economic science is called upon to give its response. But the indispensable condition for a correct solution is the correct formulation of the problem. I have met people for whom the profession of economist seemed something rather vague. The one representative of our profession that they have met in their entire lives has been the bookkeeper. It must be said that this is a very ancient and honorable economic specialty. Any person who cannot do bookkeeping is unable to consider actual money and actual material values and cannot lay claim to the title of economist. The more so in our economy, where along with enterprise bookkeeping, paramount significance attaches to public accounting. It was not fortuitous that V.I. Lenin paid special attention to questions of public accounting, nor was it by chance that he wrote that socialism is first and foremost keeping account of and monitoring the measure of labor and measure of demand.

Discussions of economic relationships and laws can be essential and interesting. But at the basis of everything lies the elementary economic fact legitimized by bookkeeping: goods are posted to debit and money to credit. The balance of money and of goods valued in money terms is the basis of all economics. Consider our expenditures from the viewpoint of this elementary economic fact and from the viewpoint of our public accounting. Wages and other monetary incomes are paid amounting to R200 billion; this means that consumer goods and paid services should amount to the same. If there are no goods there is no payment of money because sooner or later there is no work for this money. This is the cruel but objective law-governed pattern of economics.

The conclusion is that prices should express society's actual costs to produce output, and this means that for every ruble of cost there should be an actual, produced product.

This is how one of the central newspaper opened the discussion: is it possible to violate the laws in the interests of improving economic activity? And the complaints started to pour in about "petty tutelage" at enterprises for which directions were being given about what to spend and what to spend it on. Of course, this kind of "petty tutelage," unfortunately, still occurs, but we should not cut down the wheat just to get rid of the weeds. If we want prices to correspond to actual costs, then each element of the price, converted to money, obtained from the sale of output must be used strictly according to designation. Disruption of this order bring nothing but evil: if the objective economic laws are not observed then the economy begins to slow down its development and its efficiency declines.

Take, for example, that part of costs that is used to maintain fixed capital in good order at an operating enterprise: the buildings, installations and equipment. Assume that we are spending such-and-such an amount to build an enterprise. But it will not last forever: 10 or 15 years elapse and the question arises of replacing worn out equipment. This means that by this time the enterprise must have money available to renew fixed capital, and industry must produce the replacement equipment. Without this it is difficult to make provision for the nearest goal that comrade Yu.V. Andropov talked about at the CPSU Central Committee June Plenum: "First and foremost good order must be brought about for what we have, and we must insure the sensible use of the country's production and scientific and technical potential."

What is this in fact? Each year industry includes in prime costs the price of producing reserve facilities for future renewal of capital, namely the amortization deductions. The sum is substantial--about R30 billion. But less than one-third is used for renewal of fixed capital.

The result is a slowdown in the renewal of fixed capital in industry and the ageing of enterprises; labor productivity growth, savings and product quality do not improve. Many people talk about scientific and technical progress, and yet we still make improper use of the enormous funds earmarked to maintain our production potential in good order. At the start of the five-year plan, in industry more than 38 percent of fixed capital was older than 10 years, and this included about one-third in machine toolmaking, about 40 percent in light industry, and almost half in the food industry.

Is this not why there is an aggravation of the shortages in the labor force, where the majority of workers are working at relatively old enterprises where further labor productivity growth has been virtually exhausted or is close to exhaustion? To this they object that the managers of new and technically progressive enterprises also talk about labor shortages. The slow assimilation of new capacities is most often connected with the fact that much time is needed to bring the labor force up to strength, improve skills to the necessary technical level, and set up production and interpersonal moral relations on a good footing. One of the main advantages of reconstruction is that the old plants have skilled personnel.

There is another side to the question. It is very often written and said that price should include the effect expected from new equipment. Sometimes this seems very convincing. For example, extra costs are involved in improving the reliability of a car; so let us increase the price for the car and then save on repairs.

Of course we need effective output. There is no doubt that this kind of output should also be profitable for the enterprise. Nevertheless, we must be more careful in our approach to pricing. If the proposed effect is included in the price then the manufacturer of the product will receive money in advance under the note payable for the efficiency of the product. And this note payable is very often "bronzed": the price goes up but the hopes for increased efficiency are not justified. The enterprise has gained, but what about society? In our days we cannot reason that if we have to then "we shall not pay the price." The proper, effective, rational handling of the economy rightly requires that we should "pay" the price.

Let us turn to yet another aspect of the matter. Of the total number of industrial enterprises in the USSR making up an independent balance, more than half are made up of those having up to R10 million of fixed industrial and production capital. At these enterprises the capital-to-labor ratio has been 47 percent, and labor productivity 90 percent of the average level. This means that costs to produce output are substantially above the average. About one-third of all output comes from the small enterprises. About one-third are unprofitable. How should we act in this case? Because the enterprises are there and they are operating and turning out essential output. We cannot close them today, and time and capital investments are needed for retooling and reconstruction. But in that case the wholesale price must cover the costs involved in producing the output. Assume that this has been done. The enterprise with deliberately high prime costs for planned output has become profitable. Production at the "enterprise operating normally" is considered backward and technically obsolete, and as a result both the collective and the ministry stop concerning themselves with improving technology and production organization. Weak production has been transferred to the category of efficient production but at the general expense. The deficit of materials and labor resources has not been reduced but has rather grown.

This is how it turns out: we recognize that what is good for the enterprise is good for society. But in fact we should turn this around: if it is unprofitable for society then it should also be unprofitable for the enterprise, so that the enterprise collective and its management should ponder the question of how they will live in the future.

Let us look at the entire chain of phenomena as a whole. At first we spent improperly the funds earmarked by all the canons of economics for renewal of fixed capital. Because of this we are operating obsolete equipment and inefficient, small enterprises. This leads to a general increase in production costs and in the final analysis in prices also. It turns out that because of the incorrect utilization of funds we are paying for it by technical backwardness and high prices. This problem can be resolved only by further improving the economic mechanism.

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[Text] What we have been talking about in earlier installments of this article has been accepted in principle. There is a lack of correspondence between demand and the opportunities for satisfying this demand, monetary incomes and their material backing are out of balance, and the economic mechanism that regulates the sequence in satisfying demand is operating unsatisfactorily. These are all the various manifestations of deficit in the form, as they say in production, of imbalance in the proportions in development of the economy and defects in distribution relations. Behind all the phenomena that we have been talking about stand people with definite interests. And even if the deficit is of concern to all as such, many still think about ways to use it in their own interests if it is advantageous to do so. It cannot be that an economic phenomenon that has acquired such a mass nature could exist if it was of advantage to no one.

In recent years economics has changed considerably on the professional plane. It is difficult to imagine a modern economist who does not have a mastery of economic-mathematical methods or is unable to use a computer. And at the same time we often see, particularly in dissertations, how behind the beautiful formulas the rock-bottom foundation--political economics--has been forgotten. Its name is not fortuitous; the economist is dealing not with production and costs but with those social relationships in which the process of production takes place.

Comrade Yu.V. Andropov has again drawn attention to this side of the question, when he said at the central committee plenum that "if we speak frankly, we have still not studied as we should the society in which we live and work, and we have not fully revealed its inherent law-governed patterns, especially economic patterns."

If we approach the matter from these positions then specialization and centralization in production is a necessary and effective process which in the absence of or with only weak public regulation can also lead to adverse consequences. Thus, there has recently been increasing discussion in the press about the monopoly of the supplier relative to the client. By taking advantage of the deficit, the manufacture of the product has in essence started to dictate his conditions to whoever needs the product. The client is virtually bound to the assortment, quality, delivery time and price. There is a saying that he who pays the piper calls the tune. Now this elementary, everyday logic has been turned on its head.

The dominant position of the supplier in production and of the seller in the market is also being reinforced and supported by those for whom this kind of inside out order in economic relations is advantageous. Take, for example, the problem of assimilating the output of a new product. Some economists and managers think that by using material incentive it is possible to solve almost all deficit problems. The argument goes about like this: if you want something you pay money. But this in no way justifies itself in real life. In fact, the resolution of a given management-economic problem most often requires good labor organization, a creative approach, and a favorable moral climate in the collective.

Say that an addition has been made to the wholesale price for a new and highly efficient product by way of incentive, and that 70 percent of this addition goes into the enterprise material incentive fund. However, the problem is not resolved. The question arises of the "fulcrum" for material incentive: to what degree do the funds used correspond to the problem that has been set?

Several years ago I had dealings with a self-propelled corn-harvesting combine. The plant had developed a machine and set up production in a very short time. Before then it had been producing an attachment unit that could be attached to a combine but was dangerous when used in the fields. The appropriate scientific research and test and design institute had been working to develop a new self-propelled machine for about 10 years but without any special success. And suddenly, in a 2-year period, the plant design bureau had developed a self-propelled corn-harvesting combine of modern technical design and production technology, using its own inventions, and set up series production. In tests the combine received the most glowing comments: in corn harvesting (80 percent of all costs on its were for cultivation) labor productivity was up by a factor of 2.5 and losses were sharply reduced.

What kind of material incentive acted so strongly? Just one: the kolkhozes and sovkhoses had stopped buying the attachment for the corn-harvesting combines. For the plant there was no choice; sooner or later it would have to stop production of the old machines and do something else. It should be further noted that an incentive addition was made for the new combine and that the plant showed interest in it. It was not, of course, superfluous. But in solving the question of assimilating the new product and the rapid buildup of its production, the role of the incentive addition was small, because, of course, it turned up when everything had already been done.

It would be possible to cite many examples to show that on the question of incentives there is more talk than deeds. New output is not assimilated "for money." Nothing of the sort: first the enterprise must be placed in a impossible situation with the production of old output. Second, a new man, not connected with the old multiplicity of roots and whose thinking is not led by inertia should be appointed for the business of restructuring production. Third, incentive can be provided with money only so as to link the incentive clearly and precisely with the result achieved. And the result must first be achieved before the "incentive" is paid.

Unfortunately, it is often joked bitterly that the qualifications of a doctor of sciences are insufficient, for example, to understand the existing instructions on the material incentive fund. Yes indeed, and it is small wonder if, according to these instructions, bonuses for labor productivity obtained for labor productivity growth can be larger than bonuses for savings of wages. The errors and omissions in material incentive doubly increase the deficit: by nonfulfillment of plan tasks for the production of output and reducing costs, and by the extra demand for goods that are produced with money that is paid in advance "for no particular reason," by the advance, rather than for useful work and output that is needed by our society. Material incentive solves only the problems that are connected with the better utilization of available scarce resources.

The strength of material incentives, *khozraschet* and financial relationships depends largely on whether there are unused production opportunities available. The idea is to use these levers when essential equipment, raw materials, materials and so forth are needed in order to resolve a task that has been set. But when they are available, very skillful work is required to match incentive to the results that must be obtained. In short, before using the lever, look about to see where the "fulcrum" is.

We often pay out state money thoughtlessly. Talk about material incentive sometimes starts when something has not yet been done and it is necessary simply to require that people carry out their direct service obligations. We must start with plan compilation. The plan must be stepped-up, one of my acquaintances said, and he defended his doctoral dissertation on this subject. Some good ideas were expressed, but 10 years have passed and nothing has happened. The plan is still made by people who are guided by the best motives but who are reluctant to offend themselves and their labor collective. They know quite well that they themselves will have to fulfill the plan. Experience shows that for the good planner the plan is fulfilled at the moment it is confirmed. In an extreme case, they bitterly joke, one well-known chief economist must set it up so that plan correction rates outstrip nonfulfillment rates.

And so even 15 years ago there was talk among economists about how in general to set up incentive as a function of plan fulfillment and overfulfillment. Some said that it was necessary to do this because the plan is an organizing and motive force and there is no way of evaluating the activity of the labor collectives other than from the degree of plan fulfillment. Others noted the numerous instances of concealment of reserves and deliberate lowering of plan targets so as to guarantee that the full normed amount could be obtained from the material incentive fund.

Only experience and economic experiment could answer this question. Now the incentive system has been changed in agriculture, a vitally important sphere in our economy. Before the beginning of 1981, a purchase price was paid to the agricultural enterprises for produce supplied within the plan limits. A price addition was established for above-plan produce. Now the additions for above-plan deliveries have been abolished and instead additions have been introduced for actual growth in the volume of produce supplied compared with the average annual level for the preceding five-year plan. If this test justifies itself, a very important precedent will have been created for a new approach to questions of material incentive: payments must be made not for the plan or plan overfulfillment but for actual growth and actual savings. This, and only this, is advantageous for each worker. This kind of system also makes it possible to plan production more objectively, proceeding from the interests of society.

The way the plan is now compiled provides a clue to the deficit problem. Proportional development of the national economy and the correct management of public accounting can be insured only if the plan is worked out by proceeding from public, national economic interests. And for this it is essential that for each individual fulfillment of the plan becomes a civic duty offering not only material advantages but also moral, public recognition.

In particular, fulfillment of the plan according to its main indicators should serve as the landmark for evaluating the activity of enterprise management and for objective solutions to questions of cadre policy. Each individual should answer for his own assignment, and material incentive should be offered only as a function of real improvement in economic results and of what is actually given to society. What we call administrative and local interests should be taken into account, but not beyond a certain limit where they become monopoly interests that give rise to deficits for all.

It is time to draw some conclusions. The first is that although we are all against the deficit, everyone to some extent promotes its appearance and existence. It is also impossible to say that this lies in the nature of our economic system because this refutes the historical experience of socialism. But then one thing still remains--the roots of the deficit lie in us ourselves because first we do not think about it enough, second because we are confused, third because we do not do enough, and fourth because what we do we do badly. And so, the first thing to do is be more exacting toward ourselves, understanding that with us, production is handled for the common weal and for the general needs. The decisions of the CPSU Central Committee June Plenum focus us on this.

Second: so as everyone carries on his own business well, the strictest control is required on the part of the state over the measure of labor and the measure of consumption. V.I. Lenin wrote about this, but in recent years we have somehow become "enfeebled" in this matter. In our society, control over the measure of labor and the measure of consumption can be insured economically by the price system, the wages system and the financial-credit system if they defend uncompromisingly the general state and national interests. These three "cornerstones" of our economic system determine the evaluation of labor used and the movement of monetary funds. As long as they make scarce money, everything will be scarce.

Third: the main means with which society can compel economic organizations and their managers to work well is a policy of price reduction. It is only under threat of lowered prices that production technology is rationalized and its organization improved and new equipment introduced, that is, production efficiency is improved and production costs cut.

I can imagine how skeptically some will smirk and others start to argue when they read these words. They will talk about nature, the rising price of new, up-to-date equipment and so forth. All this is known; and something else is known, too: the cost of production is determined not by nature but by people's labor and their social relationships. Remove from prime cost the unnecessary expenditures, cut back on nonproductive costs, exclude from profit the money included in the price and paid to the enterprise in advance and arrange the budget so that they must engaged in development, thus forcing them to rationalize production, and you will immediately have an opportunity for reducing prices.

Fourth: of course it is necessary to provide funding and offer credit in the national economy. But it is impossible to work on the principle of "how much would you like?" V.I. Lenin said that money turnover is a joke with whose

help the degree of satisfaction of the entire country's economic turnover is checked. In our economy it is essential to set up public accounting correctly: for each ruble we must clearly see a corresponding material product.

It is impossible for each production enterprise to have as much money as it wants. Production exists not in order to spend national money but in order to use it. It is precisely in the possibility of using money skillfully and efficiently, and in this alone, that the truth of the enterprise lies.

Fifth and last, but not least: the planned management of the overall economy is the greatest advantage of socialism. Present planning practice, based on a code of proposals and the more or less correct coordination of these proposals, can less than anything lay claim to the high title of a national economic plan. The national economic plan is the setting for all of society of great and important goals that inspire people to selfless labor. The national economic plan is the organization of everything and everyone and the combining of all efforts to achieve public goals and public interests.

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ECONOMIC POLICY, ORGANIZATION AND MANAGEMENT

ISSUES OF CENTRALIZED PLANNING, PRICE-SETTING ADDRESSED

Moscow PRAVDA in Russian 12 Jul 83 p 2

[Article by G. Kulagin, economist, Leningrad: "The Limits of Maneuvering: Problems and Judgments"]

[Text] The changeover of the national economy toward intensification is still being carried out slowly. It is necessary to accelerate considerably the improvement of administration, planning, and incentives. Among the measures which would confirm efficient, productive labor, initiative, and enterprise, Comrade Yu. V. Andropov mentioned the expansion of the independent action and responsibility of the enterprises.

It must be stated outright: although in this area it would seem that a lot is being done, in the practical situation the independent action and responsibility of the managers and collectives at enterprises during recent years have probably even dropped partially. Here are several examples of this. In the second half of the 1960's in the Leningrad Association imeni Sverdlov eight to ten indicators of the annual plan had to be approved, but at the present time their number has increased to 20 or more.

The procedure of forming incentive funds and the procedure for the payment of bonuses to personnel have become considerably more complicated. The direct relationship between the results of labor and the size of the material incentive payment paid to the collective has either been lost or is so complicated that it is sometimes incomprehensible not only for the ordinary worker or engineer, but even for the enterprise manager.

The itemizing of control by means of the increase in the number of indicators by no means reinforces planning discipline, but, rather, expands the field for the manipulating of reports, provides the enterprise with additional reasons for citing "objective causes," and in the final analysis leads to "plan adjustments" to the actually achieved results. And this is understandable, since the large number of indicators ties down the initiative of the collectives, limits the maneuvering of resources, and gives rise to contradictions that retard the growth of production effectiveness.

In the recent past the Leningrad machine-tool-builders used to produce inexpensive, relatively simple duplicate-milling machines. They were in high

demand. Then those machine tools, as obsolete ones, were replaced by improved ones -- with increased precision and speed of operation. But their cost rose by several times. The customers were confused: why had we stopped producing machine tools that were selling so well? Only a few customers could make complete use of all the capabilities of the new machine tools, but their price, as the expression goes, began to be exorbitant. Our press has written about the senselessness of assigning the Quality Seal to an ordinary axe or a brassiere hook. Does it really sound practical to make a coat for a five-year-old child out of the best quality of expensive wool fabric. . .

The number of economic situations is infinitely varied. And the attempt is made to encompass this completely hopeless situation by increasing the number of partial indicators. There can be only one criterion for economic effectiveness: the minimum of the total expenditures of live and embodied labor per unit of beneficial effect or the consumer's cost of the article.

But do simple and at the same time multipurpose gauges of that minimum exist, gauges which are suitable for all situations in life? Yes, they do exist, and we have been using them for a long time: they are the output products list and the price.

I will remind the reader that the economy of socialism rests upon three "whales": social ownership of the means of production; centralized planning; and the use of commodity-monetary relations. Proceeding from this, it is necessary for the state, as the expresser of the interests of society as a whole, to "keep in its hands" the products list of the output being produced, which products list reflects the actual needs for the qualitatively varied consumer values, as well as the prices for that output which would reflect the socially necessary expenditures of labor to produce it.

If the central agencies of administration, in the person of USSR Gosplan and USSR State Committee on Prices, are able to establish effective supervision over the product-list balances and prices, all the other indicators for planning the work of the enterprises will be needed to an incomparably lesser extent. Moreover, they will become partially harmful, as factors that restrict initiative and enterprise.

People sometimes say: the establishment of rigid state supervision over prices, with a list of many millions of different commodities produced in the country, is a task that is difficult and even not very realistic. Of course it is no easy matter to achieve this. It is necessary to refine the methodologies, to reconsider the powers granted to the price-setting agencies in the center [that is, in Moscow and Leningrad] and in the outlying areas, to establish smooth operations in accounting for the materials recourses, and to do much more.

Nevertheless there is nowhere one can go to get away from price-setting, because the other indicators, whether they be production costs, labor productivity, profit, or normative net output, are in one way or another derivatives of prices. It is high time to become completely aware that any of the indicators will "operate" correctly or incorrectly only to the extent to which we succeed in controlling prices.

Without the resolution of this task it is difficult to count on any radical improvement of the economic mechanism. But, by resolving it satisfactorily, one can gradually and painlessly reject the majority of the currently operative indicators, take the load off the central apparatus, unbind the initiative of the enterprises, and create a favorable soil for the further development of competition and for the better combination of the interests of the workers and the interests of the collective and society.

It would seem that, under conditions of the proper supervision of prices, it is completely sufficient for the enterprise to establish a plan of output according to a products list and according to profit. It is desirable to distribute it by the simplest means, dividing it first of all into two parts: the first is to be deducted and paid into the budget and into centralized funds, and the second remains at the disposal of the enterprise itself.

From that second part of the profit the enterprise must, first of all, pay all the fines for nonfulfillment of the contract terms, and then, once again on the basis of firmly established norms, must form a development fund which, with the passage of time, in addition to the increase in labor productivity, must become the chief source of the increase in the workers' income.

The norms for the distribution of profit into the state's share and the enterprise's share can probably be rendered in concrete form as applicable to the conditions for each association, but they must necessarily be of a long-term nature, must be constant for one or two five-year plans. It is only if these conditions are observed that the managers of enterprises will become confident about the future.

It is necessary, of course, to channel into the development fund, in addition to deductions from profit, the depreciation deductions as well, and in amounts that are more considerable than is being done today. The enterprise manager can be truly responsible for the job assigned to him if he has in his hands the necessary means not only for organizing the current production, but also for retooling and remodeling the enterprise.

Under conditions of the NTR [scientific-technical revolution] both factors should be not of a one-time nature, but rather of a continuous nature. So long as the renovation of the producer goods depends upon centralized sources, the enterprise managers cannot bear, and actually do not bear, the responsibility for maintaining at the present-day level the enterprises entrusted to them.

The budgetary and other centralized sources of financing, it would seem, must be used only for creating new production entities for developing the infrastructure. And it is only in individual instances, when the enterprises are being completely reorganized for fundamentally different output, that they can be channeled, in accordance with the government's decision, into the remodeling and expansion of old plants and factories.

It is also necessary to mention a certain important advantage of self-financing: if all the existing enterprises purchase new equipment not by relying on gratuitous budgetary appropriations, which must be used at any price before 1 January of the new year, but rather by relying on one's own earned means, there will be

formed a powerful feedback between the customer and the producer of the equipment, which feedback will undoubtedly help the state agencies to restrain those persons who love to inflate the prices of new technology.

I would like to direct attention to yet another aspect of the problem: if the increase in wages and other benefits depends largely upon the size of the funds earned by their own labor, there will be an intensification of the role of such collective forms of incentive as the "thirteenth" wages, the payment of bonuses to competition winners, the construction of housing, children's institutions, rest homes, etc. All this, undoubtedly, will contribute to consolidating the collective, to reinforcing the discipline, and to cutting down the personnel turnover rate.

It would also be desirable to reject volitional methods of planning "from what has been achieved" and to change over to the qualitative evaluation of the enterprise's work not so much on the basis of the percentage of plan fulfillment, as on the basis of the advancement of the collective as compared with the preceding period. The factors that can be used in the role of the gauge of this movement are the level of use of the production capacities, the same products list, that is, the increase in the production of output in physical terms, if there are no limitations of raw materials or sales. And the profit, with precise state supervision of prices, adequately reflects the increase in the production of output, the saving of materials, the increase in labor productivity, and the use of fixed assets.

In particular, it would be desirable now to complete also the creation of associations with the complete, rather than formal, inclusion as part of them of KB [design bureaus] and institutes engaged in specific elaborations of new technology. Also required are radical steps to redistribute the labor resources to the advantage of the production sphere by means of the reorganization of the system of education, and the reduction of the number of persons employed in the nonproduction sphere. The time has come, of course, to make a few changes also in the structure of the central economic apparatus.

But first of all it is necessary to define precisely the very principles of the further improvement of the economic mechanism and to delineate firmly the rights and duties of the socialist enterprise, providing sufficient expanse for the maneuvering of all its resources and giving it the complete responsibility for the results of its independent activities.

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INDUSTRIAL DEVELOPMENT AND PERFORMANCE

INTERNAL PLANNING AND KHOZRASCHET

Moscow PLANOVOYE KHOZYAYSTVO in Russian No 5, May 83, pp 57-64

[Article by Ye. Prigozhin, candidate of economic sciences: "Internal Production Planning and Khozraschet"]

[Text] Fulfillment of the state plan by an enterprise or association depends largely on how planning has been set up in the subdivisions and services and how their activities are coordinated, and on the organization of internal production relations based on khozraschet [cost accounting]. Experience gained in this field in recent years makes it possible to analyze the reasons for the formalism that is encountered and to generalize positive factors in the development and deepening of economic work at leading enterprises.

If the phenomenon is considered in its pure form, definite contradictions are observed between internal plant planning and khozraschet. Khozraschet presupposes operational independence while internal production planning presupposes a definite centralization of management and functioning under specific conditions. The task is to establish sensible limits for the independence of subdivisions and for the centralization of planning and control so that the contradictions arising can be resolved on an operational basis and regulated on the basis of appropriate normative documents, in particular a system of enterprise standards [SES].

This kind of system has been developed at the Moscow Punched-Card Machine Plant imeni V.D. Kalmykov. It covers all normative-reference documentation, combining the most important functions of management: organization, planning, regulation, accounting, control, evaluation and incentive.

The complex of standards for enterprises of the same kind is a new direction in the economic work of the enterprise. The structure, main provisions and methodological approach to the organization of internal production planning and khozraschet on the basis of the SES may therefore be of interest to economic managers.

The system is made up of four standards.

The basic requirements for the handling of normative documentation are formulated in the SES "General Provisions." Assessments are made of the

organization of production, information flows determining the course of production, and of the labor, material and financial resources used. It is stressed that control of the subdivisions through khozraschet is built on a complex of provisions, methodological instructions, working instructions, planning and accounting forms, and rules for regulating and providing incentive for efficient work by subdivisions, and the rational consumption of resources. In a given system, the prerequisites are also considered for organizing internal production khozraschet under conditions in which an automated enterprise management system is functioning. The leading role of the data-and-computing center and its responsibility for observance of uniformity in normative-reference information in all subdivisions of the enterprise using it, are recognized; a unified procedure is established for storing, classifying and coding reference data and for making changes and monitoring the status of documentation. For this purpose the automated enterprise management system center issues the appropriate instructions, in which it is noted that the use of unconfirmed normative data in reports from subdivisions is regarded as an extra that entails administrative inquiries and economic sanctions through the system of material incentive.

The SES "General Provisions" also set out the procedure for regulating khozraschet relations between neighboring subdivisions and the formulation of mutual claims for economic omissions in work. The makeup of the khozraschet and budget commissions and their rights and duties are also defined. The former is the operational organ of control. The functions of the latter include final decisionmaking on evaluations of the activity of khozraschet subdivisions.

The SES "Planning for Khozraschet Indicators and Economic Normatives" [normativy] sets forth the most expedient ways for using indicators and methods for calculating them. Particular attention is given to economic normatives that extend the frontiers of independence for shops in selecting ways and means for improving production efficiency and completing set tasks.

The extensive use of the normative method for planning khozraschet activity in shops has been dictated by the desire to create a stable accounting base for the entire planning period and to improve flexibility in the distribution of resources within subdivisions. Herein lies one of the outstanding features of the standard. The economic normatives included in it are normative cost of processing and normative labor input for sets of parts, normatives for completeness [komplektnost'] and rhythm in production, and normatives for wages and prime cost per normative hour.

The methods for calculating some of the economic normatives take into account the specific nature of small-series, multiple-nomenclature production having production cycles of varying duration to fabricate articles and parts for articles, and the predominance of intermediate assembly work. For the purpose of planning load variations over the 24-hour period at working places in processing shops, all monthly plans for output volume are calculated not from the program for the output of the final product by months but by proceeding from the size of the average daily labor intensiveness for work in terms of the annual target. This kind of approach excludes variation in the planned

numbers of workers or their average monthly wages and makes it possible to plan consistent increases in processing.

When determining normatives for complete forwarding of output, consideration is given to production needs for an extensive nomenclature of parts and assemblies. As a rule, normatives for completeness for processing shops are set below the per unit level. This emphasizes the need to allow some deviation from requirements for the complete fulfillment of the nomenclature plan in each month while insuring the output of finished articles. Uninterrupted assembly work is maintained by the varying makeup of uncompleted production.

The normative for completeness is made up of two components, namely the normative for permissible lagging behind fulfillment of the nomenclature plan (by designations) and a normative for lagging in terms of the number of parts and assemblies of each designation. This gives shops the right to select and compensate for lagging in terms of the number of parts and assemblies forwarded in the planning month by reducing the number of lagging positions. The initial base for calculating the normative for completeness is the level of complete forwarding reached for products and the subsequent desire to improve production rhythm, which provides an opportunity for gradually raising the level of completeness even in a period when new output is being assimilated.

The normative for production rhythm in the forwarding of output from each shop is calculated taking into account the varying duration of the production cycles, including those that are longer than a month, and the uneven spread of the balance of working time by 10-day periods. By production rhythm is understood observance of planning proportions in the load at working places throughout the month and quarter. Normatives for production rhythm established for shops make it possible to maintain continuity in production processes and to make more efficient use of available working time. Practice in the planning of production rhythm for small-series and even series production confirms that the desire to plan only entire completeness for the forwarding of output at different time intervals is not always justified. As a rule this leads to excessive fragmentation of batches of parts from startup to forwarding [zapusk-vypusk detaley] and to an increase in the number of resettlings (particularly at the end of the 10-day period and of the month) and losses of working time and a decline in work quality. The introduction of the normatives for completeness and production rhythm improves production efficiency and makes it possible to regulate it within sensible limits.

The normative for planning of production costs, and in particular wages and shop production costs, is of some interest. The normative hour is taken as the base for planning. In this way the dependence between the volume of completed work and consumption of means (raw materials, materials and so forth) is reinforced. At the same time the boundaries for shop self-control in spreading resources for kinds of work are extended and attention to production savings is sharpened and the authority of the economic services grows in the shops.

The tried and tested division of planned indicators into confirmed and calculated indicators is retained. The former insure continuity in shop

khozraschet indicators and the targets in the enterprise's state plan, while the latter substantiate the confirmed indicators and orient shop managers on the implementation of various measures.

Selection of confirmed and calculated indicators for the shops is a complex task. Many economists say that the number of confirmed indicators for both the enterprise and for the subdivisions should be minimal. Here a trend is seen toward the application of integrated [skvoznoy] khozraschet indicators. It seems to us that the principle of effective control and the fulfillment of concrete functions by the shop management should form the basis for selecting the shop khozraschet indicators; without this, internal production khozraschet becomes merely formal. In this way, it is the significance not of the quantity but the quality of khozraschet indicators that is emphasized, and this enables effective planning, control over the course of production, and observance of the norms for the consumption of allocated resources.

The makeup of the confirmed indicators should provide incentive for the collective to adopt stepped-up plan targets and at the same time serve as an accounting base for forming shop incentive funds. When working out the above-mentioned standards for enterprises there was doubt about planning sold output for shops. Of course, by sold we understand finished output dispatched to the purchaser (or recipient) for which full payment has been made to the current account or the special loan account of the manufacturing enterprise. The function of product marketing is entrusted to the marketing and financial sections and shops have no relationship with it, even those forwarding finished output to the warehouses of the marketing section. The same can be said of the indicator for dispatched output. The task of the assembly shops is to forward output to the warehouses in good time and in full sets, and information on this is adequate for evaluating their production activity.

At some enterprises the planning of profit and profitability for the subdivisions is done on the basis of planning-and-accounting prices for parts, sets of parts and assemblies. However, with the introduction of profit and profitability into the system of khozraschet indicators, the aims of production are altered, primarily in the assembly and processing shops. This can be reflected in fulfillment of the nomenclature plan since the different content of profit in planning-and-accounting prices divides output of parts and assemblies into profitable and nonprofitable. Obviously, for the structural subdivisions with a variable nomenclature and numerous technological transitions, the use of planning-and-accounting prices and indicators for profit and profitability in internal production khozraschet cannot be considered expedient. The fundamental distinction between khozraschet for an enterprise, based on commodity-money relationships, and the internal, limited sphere of production activity, does not permit duplication of function and the integrated use of the same indicators for production efficiency. Moreover, the use of planning-and-accounting prices unjustifiably complicates bookkeeping and increases normative-reference documentation; and their efficacy depends on their timely inspection and the constant maintenance of an equal level of profitability for all sets of parts.

In our opinion, the indicator for capital-output ratio should also be numbered among those indicators that are inadequately controllable. The fact is that

an enterprise develops as a single technical complex. The ultimate decision on the replacement or contraction of the machine inventory in the shops does not belong to the shop management. And inadequate load on individual units of equipment in a current period do not give it the right to liquidate it. It is important to consider its long-term use. Therefore, it is logical to plan the use of production facilities at the subdivision level, and this constitutes the main component in evaluating the degree of rigor in plan targets.

One central question in activating internal production planning and khozraschet is strengthening the role of prime costs in the system of planned indicators. As was noted at the 26th CPSU Congress, one urgent problem is to reduce production prime costs. The significance of this indicator must be reestablished in raising production profitability and in evaluating economic activity.

Many enterprises use indicators for shop prime costs and they are successfully resolving the problems of reducing material intensiveness in output, spoilage and labor costs and production overheads in general. All enterprises have conditions for improving the organization of planning, regulating and accounting for production overheads since most cost elements are normed.

At the same time, practical work at a number of leading enterprises has shown that the organization of planning and accounting for prime costs remains an unutilized opportunity. This applies primarily to enhancing the active role of shops in controlling costs and in saving material, labor and financial resources. It is impossible, for example, to consider as normal a situation in which shops obtain information on actual production overheads too late. Figures on expenditures from the wages fund arrive in the shops on the 4th to 7th day following the monthly accounts, and figures on servicing and management costs arrive in the middle of the second 10-day period. Under these conditions the shop manager is unable to control production overheads. In a best case, analysis of plan fulfillment for prime costs broken down into its elements makes it possible for the shops to reveal omissions and losses and thus correct matters in the subsequent planning period.

In our opinion, in order to insure timely influence on the economics of production on the part of the shop management apparatus it is necessary to change the periodization of information flows, at least for direct expenditures, to 10-day periods, that is, to introduce a system of simultaneous, on-line accounting for both production indicators and economic indicators. This path, however, is quite complicated, despite its convenience. Under present conditions, normative accounting for expenditures is more acceptable. Where a computer is available it is simple to set up daily accounting for deviations from norms; where there is no computer, it can be done by 10-day periods.

Shifting a number of control functions to the services and the plant management sections lowers the effectiveness of shop khozraschet. There are frequent cases of shop technical-economic indicators and developed accounting for plan fulfillment being handled not by shop workers but precisely by the plant management services. This practice reduces internal production khozraschet to a formality. Shop managers show insufficient firmness in defending the

interests of the collectives when working out shop targets and monitoring their execution. A parasitical attitude is seen. When plans are fulfilled by the enterprise the plant administration is paid an average level of recompense regardless of the contribution and labor intensity of each individual.

When forming the system of economic indicators it is essential to be guided by the form of production organization existing at the enterprise. It would be incorrect to disregard the latest closed cycle or the creation of complexes for the complete fabrication of articles by object, or, on the contrary, according to technological sign, when each subdivision is set up only for individual processes in an entire chain used to manufacture the finished product. In the former case the main task of planning is to produce high quality output of a given range with efficient utilization of resources. Here, cost indicators are assigned a leading role in the planning indicators. In the latter case, the main task is to coordinate the activities of adjacent subdivisions and insure the movement of output according to a confirmed schedule on a normative basis; this enhances the role of physical indicators in the planning and evaluation of activities in the khozraschet shops. Consideration of these special features rids the enterprise of formalism in handling internal production khozraschet and makes it an active method for stepping up plan targets and achieving high work indicators. At the same time, a procedure must be established for drawing up a developed economic plan for the shops through the efforts of economists in the subdivisions, according to confirmed and calculated indicators and economic normatives.

In terms of structure, the SES "Accounting, Accountability and Evaluation of the Activities of Khozraschet Shops" almost duplicates the planning standard. It determines the procedure, time periods and executors engaged in bookkeeping, statistical and operational accounting. Methods are developed for evaluating fulfillment of each confirmed indicator and economic normative. The most laborious is accounts for production costs. Therefore the standard provides for analytical work to reveal both losses and unused possibilities in shops and in the enterprise as a whole.

The organization of internal production planning and khozraschet is inseparable from differential material incentive for subdivision collectives for their work results. Here, the effectiveness of material incentive depends largely on how successfully the forms and methods of incentive or sanction are applied.

The SES "Material Incentive for Khozraschet Shops" is in two parts. In the first, the procedure is shown for forming shop incentive funds, along with a system of fund-forming indicators and normatives. The second part covers systems for material incentive according to work results, and sanctions. Difficulties may arise in the application of this standard.

It is known that enterprise and association material incentive funds are formed as a function of growth rates for the fund-forming indicators according to normatives established for the five-year plan. At many enterprises it has become the practice to give bonuses to shop workers in main and auxiliary production from a single material incentive fund, thus simplifying the operation of calculating bonuses for workers. However, this

lowers the interest of khozraschet shop in achieving high results in their work. In our opinion, the system of forming and distributing deductions from the material incentive fund according to the overall results of the activity of the enterprise (or association) reduces the effectiveness of khozraschet in the shops and allows the adoption of lowered plan targets so as to insure significant plan overfulfillment and taking first places in socialist competition.

One question arises, associated with improving the incentive mechanism, which encourages managers of khozraschet subdivisions to adopt stepped-up plans, introduce reserves more rapidly and work efficiently and to a high level of quality. When selecting the ways, forms and methods of incentive, it is essential to be guided by the instructions of the 26th CPSU Congress on the careful analysis of principles in the organization and mechanism of function at associations and the proper distribution of rights and obligations between the associations and the production subdivisions that make them up. Infringing upon the interests of some or making them extraordinarily burdensome for others does not promote successful operation. One form of enhancing interest lies in offering them the right to form their own material incentive funds in accordance with the most important fund-forming indicators and established normatives. Under these conditions the incentive system should make provision for consideration and confirmation of the sizes of bonuses by the khozraschet commission for the association (or enterprise) only for the subdivision management. For other workers in the production units, the sizes of bonuses are set by the khozraschet commissions for the subdivisions.

Another form limits the formation of incentive funds in subdivisions only within the range of the current (monthly or quarterly) bonuses given to collectives, while remuneration according to work results for the year and the award of one-time material aid and so forth are centralized in the association or enterprise funds. In our view, this principle enjoys a number of advantages. First, the subdivisions funds are formed as a function of the results of their economic activity and thus interest collectives in adopting higher plan targets. Here an opportunity is seen for differentiation within the enterprise both of the fund-forming indicators and the normatives for calculating them. Second, principles are agreed on economic incentive for enterprises and their subdivisions with respect to the contribution to the final results of operations for the year.

The mechanism for forming funds in the subdivisions is extremely complicated. The fact is that the total amount of formed funds in shops and the plant management earmarked for current bonuses should not exceed the fund for the same purpose formed for the enterprise. Therefore, special attention must be paid to the composition of the fund-forming indicators and calculated normatives and to the opportunities for and conditions of incentive for their overfulfillment.

Some enterprises have abandoned calculations of growth rates in fund-forming indicators in the formation of shop incentive funds because they think that the differences in growth rates and thus in the levels of the indicators themselves do not always objectively reflect a collective's efforts and the

quality of its work. Shifts in the product range within planned output and certain other factors can affect growth rates and lower individual indicators without special efforts on the part of the collectives. Under all conditions the size of the fund-forming indicators themselves should characterize qualitative shifts in work.

The question of the basis for calculating incentive funds in shops remains disputed. Most enterprises have established normatives for forming the funds as a percentage of the planned wages fund. The convenience of this method is that it depends directly on the results of work and the level of the average monthly and that it is simple to calculate. The defect is that reducing the numbers of industrial production personnel is not considered as a source of labor productivity growth. If it is recognized that stepped-up plans for shops are characterized only by the indicators for the use of production capacities, reducing costs, and the timely and good quality fulfillment of tasks, then the introduction of a generalizing normative for forming incentive funds can be regarded as expedient.

The great diversity of signs in the organization and planning for evaluation of activity and providing incentive in internal production khozraschet testifies that in each case it is essential to be guided by the features of production and the concrete tasks set for shop collectives. Internal production khozraschet is not restricted to its dissemination among the shops engaged in main and auxiliary production. It can also be successfully applied in sections and brigades. It is important to approach its introduction not formally but by taking into account the interests of the parties and the opportunities for increasing people's activity in achieving better final results.

The effectiveness of the brigade form of work is not only associated with the single brigade contract, which promotes enhanced collective interest among all the members of the brigade for final results, the quality of work done and labor productivity growth. It provides interest in the thrifty consumption of materials, raw materials, energy and other resources, that is, the organization of brigade khozraschet while observing certain conditions. These include, first and foremost, the technological individuality of the complex of production operations being performed and the normative substantiation of planning indicators. Practice shows that at a number of enterprises, mainly those with small-series production runs and a changing structure of output, planning for the wages fund for subdivisions is done at the level of the average monthly wage for workers and the numbers of workers by category. In the brigade organization of labor, this method of planning does not promote the appearance of its positive aspects. It is correct to form planning indicators only at the normative level. This also applies to the planning of work indicators, that is, the wages fund for normed work, and not for weighted mean indicators. There are several reasons for this. One is that the brigade form of labor organization permits even greater fragmentation of production processes and the uneven fulfillment of production tasks. The latter leads to incompleteness of uncompleted production in terms of ready work, and to technologic shifts and the unjustified expenditure of limited resources.

Thus, the main economic effect of the brigade form of labor organization lies in the high (compared with other forms of collectively organized labor) quality

of jointly fulfilled work and more productive labor. If this condition is met by collective responsibility and mutual control, then labor productivity is achieved through duplication of skills, reduced loss of working time and the development of initiative and skilled workers.

Note should be made of one feature of planning for labor productivity growth in brigades. As is known, planning calculations for this indicator are expressed in one case through the conventional redundancy of workers, when the volume of production grows equivalently; in another case it is expressed through the absolute contraction in the numbers making up a brigade, when the tasks for labor productivity growth outstrip the increase in the amount of work. It is also possible to extend the front of work for one brigade by reducing it in another. What is important now is absolute redundancy of workers through packing of the working day and reinforcing labor and production discipline and the mutual replaceability of executors.

In our view the questions reviewed on internal production planning and khozaschet are promoting resolution of the tasks set by the CPSU Central Committee November (1982) Plenum, namely to accelerate work on improving the entire sphere of economic leadership--management, planning, and the economic mechanism.

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9642

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RESOURCE UTILIZATION AND SUPPLY

PREVENTION OF INDUSTRIAL POLLUTION URGED

Moscow PRAVDA in Russian 5 Jun 83 p 2

[Article by I. Novikov, deputy chairman of the USSR Council of Ministers, Chairman of the Commission for Environmental Protection and Rational Utilization of Natural Resources under the Presidium of the USSR Council of Ministers: "Save Nature"]

[Text] The November (1982) Plenum of the CPSU Central Committee posed important tasks for the further development of the national economy, improvements in the economic machinery, accelerated industrial application of new technologies, rational utilization of resources and tightening of state and work discipline. The Plenum's decisions and the statements and conclusions contained in the speech by comrade Yu. V. Andropov, General Secretary of the CPSU Central Committee, met with nationwide approval and support.

In addition to fulfilling the industrial output targets and the efforts to implement the USSR Food Program, large-scale work is under way in this country on environmental protection and conservation of natural resources. The total outlays on environmental protection during the years 1981-1982 exceeded 15 billion rubles, of which 3.7 billion in state capital investments. During these 2 years a large number of effective environmental protection measures was carried out. They included: the introduction of low-waste technological processes and water recycling system into production, the opening of new and streamlining of existing water treatment facilities; a more efficient utilization of minerals; ~~measures to~~ combat soil erosion and forest fires; recultivation of damaged land; and the protection and reproduction of wild animals and plants.

Many ministries and departments of the USSR, Union republic councils of ministers, executive committees of local Soviets of people's deputies and enterprises and organizations have recently begun to adhere more closely to environmental laws. In the RSFSR and the Kazakh, Lithuanian, Latvian, Kirghiz, Tajik, Armenian and Estonian SSRs commissions for environmental protection and conservation of natural resources have been set up under the presidiums of the republic councils of ministers, while in Uzbekistan a republic council was established for this purpose.

A substantial contribution to the protection of atmospheric air, open water bodies, soils and the animal and vegetable world as well as to the planting of more greenery in cities is being made by republic societies for environmental protection, Komsomol members and youth.

Recently the government has taken decisions to prevent environmental pollution in Kemerovo, Omsk and the Yasnaya Polyana [Tolstoy] Estate-Museum in Tula Oblast.

It has also approved regulations governing state control over the protection of atmospheric air as well as the Red Book of the USSR--a list of rare and endangered animal and plant species. It is worth noting that the Soviet Union is the first country in the world to have issued such a list at government level.

Despite the marked growth in the volume of industrial and agricultural production many indicators of the state of the environment in the country as a whole have improved since the current five-year plan began. Thus, the discharge of contaminated liquid wastes has decreased 10 percent while the volume of recycled water supplies has increased by 25 cubic kilometers and reached 67.6 percent of the total consumption of water for industrial needs. The ejection of industrial air pollutants has become stabilized. Losses accompanying the extraction of coal, iron, nickel and asbestos have decreased. Greater proportions of manganese, chromium, apatites and phosphorites began to be extracted during the concentration of ores. In 2 years the diversion of land for non-agricultural purposes was reduced by 13 percent and 251,000 hectares were recultivated. Eight new natural preserves were established.

Comprehensive plans for environmental protection have been drafted in many cities and industrial centers of our country. And wherever their implementation is monitored by party and Soviet authorities, the ecological situation improves with each year.

The Draft Law of the USSR on Labor Collectives that has been offered for public consultation provides for broadening the rights of these collectives with respect to environmental protection and conservation of natural resources. This will provide a new impetus to the work on natural conservation.

The Commission for Environmental Protection and Rational Utilization of Natural Resources under the Presidium of the USSR Council of Ministers regularly monitors the implementation of the related party and government decisions by the ministries and departments as well as adherence to environmental laws and takes steps to enforce them. The commission attaches great importance to introducing ecologically safe low-waste and (wherever possible) waste-free technological processes into production.

For a long time the development of means of protecting nature against industrial pollution proceeded along the line of building waste-purification facilities, and definite accomplishments were made in this field. But these facilities do not always reach the desired degree of efficiency, while at the same time being extremely costly. The problem cannot be solved entirely along this line. It can be successfully solved through the conversion of enterprises to low-waste and waste-free technologies. This will at the same time assure the comprehensive utilization of mineral raw materials and production wastes.

The development and mastering of low-waste and waste-free technologies is not an easy task. Here the first stage should be a broad introduction of water recycling systems and the provision of conditions for converting industrial wastes into commercial products or raw materials for in-plant needs or for co-producing plants. Such possibilities exist everywhere, and much is already being done in this direction.

The USSR Ministry of Power and Electrification, the USSR Ministry of Nonferrous Metallurgy, the USSR Ministry of the Petroleum Refining and Petrochemical

Industry, the USSR Ministry of the Construction Materials Industry, the USSR Ministry of the Timber, Pulp and Paper, and Wood Processing Industry, the Ministry of the Petroleum Industry, the USSR Ministry of the Food Industry, the USSR Ministry of the Meat and Dairy Industry and other industrial ministries should expedite in all ways the development and introduction of low-waste and waste-free technological processes at their subordinate enterprises. To this end it is necessary to enlist more broadly the participation of scientists at academic and subsector research institutes, leading design and planning organizations and inventors and production innovators, as well as to improve the flow of information about advanced knowhow. It would be expedient to include, beginning with the 12th Five-Year Plan, specific targets for the introduction of low-waste and waste-free technologies in the state plans for the country's economic and social development.

The results of the first 2 years of the current five-year plan show that certain ministries still are not paying sufficient attention to problems of environmental protection. For example, large quantities of liquid wastes are discharged in contaminated form into open water bodies by plants of ferrous and nonferrous metallurgy, pulp and paper industry, and food and meat-dairy industries. At enterprises of the construction materials industry, the Ministry of the Petroleum Industry, the Ministry of Heavy and Transport Machine Building, and the Ministry of the Light and Food Industry the proportion of recycled and reused water is low. At the USSR Ministry of Ferrous Metallurgy, the USSR Ministry of Nonferrous Metallurgy, the Ministry of the Chemical Industry, the USSR Ministry of the Petroleum Refining and Petrochemical Industry and the Ministry of Chemical and Petroleum Machine Building the work to collect and neutralize noxious substances ejected into the atmosphere is progressing sluggishly.

Certain industrial enterprises are not fully exploiting the possibilities for reducing expulsion of noxious pollutants into the atmosphere, and they consistently underfulfill the plan targets for the activation of water recycling systems, water purification facilities and dust and gas purification facilities, failing to utilize the capital outlays assigned to them for this purpose. Many purification facilities and plants often are operated inefficiently or malfunction. The norms for maximum permissible limits on atmospheric pollutants are being drafted and introduced behind schedule. Omissions in the work on natural conservation also are displayed by organizations of agriculture, transport and capital construction.

The principal causes of this situation are the insufficient attention paid to it by heads of enterprises and organizations, the unsatisfactory performance of the services in charge of the operation of purification facilities and plants and the low level of technological discipline.

The ministries and departments of the USSR and the Union republic councils of ministers are called upon to intensify work on environmental protection and assure the fulfillment of the related plan targets specified for the 11th Five-Year Plan period. The organs of the State Committee for Hydrometeorology and Environmental Control, the USSR Ministry of Land Reclamation and Water Resources, the USSR Ministry of Agriculture, the USSR Ministry of Health and the USSR State Committee for Supervision of Safe Working Practices in Industry and for Mine Supervision should tighten their on-site monitoring of adherence to environmental laws and avail themselves more fully of the rights delegated to them for this purpose.

Urban atmosphere is greatly polluted by motor vehicle exhausts. In our country a complex whole of measures to solve this problem is being implemented in a planned manner. At the same time, there still remains considerable unutilized potential in this respect. The Ministry of the Automotive Industry and the State Committee for Standards should expedite revisions of GOSTs [all-Union state standards] regulating the content of noxious substances in automotive emissions. The engines of urban buses should be equipped more rapidly with pollution control systems and the production of less toxic motor fuel should be expanded. Systematic conduct of measures to monitor and reduce the toxicity and smoke of exhaust gases should be introduced at all motor transport depots, and **educational work** with drivers should be intensified. The Union republic councils of ministers, the USSR Ministry of Internal Affairs and the executive committees of Soviets of people's deputies should improve traffic control in cities and on major highways.

In our country the struggle against poaching has been intensified. Even so, in certain Union and autonomous republics, krays and oblasts, instances of poaching and other infractions of the USSR Law "On the Protection and Utilization of the Animal World" are not infrequent. The Union republic councils of ministers, the USSR Ministry of Agriculture, the USSR Ministry of the Fish Industry and the USSR State Committee for Forestry should streamline the **performance** of their subordinate game and fishery wardens, provide them with modern means of transportation and communication equipment and take measures to uncover all instances of poaching and make the culprits strictly accountable.

Serious attention has to be given to the implementation of natural conservation measures when organizing tourism. Positive experience in this respect exists in Lithuania, Latvia, Estonia and various oblasts of the RSFSR and Ukraine, but it still is not being disseminated promptly. Little work is being done to inform and educate tourists about aspects of natural conservation. Many tourist sites lack liquid waste treatment facilities, while tourist routes lack equipped rest areas.

The tourist organizations of the All-Union Central Council of Trade Unions and the Komsomol Central Committee as well as the executive committees of local Soviets of people's deputies should pay more attention to natural conservation when organizing tourism.

Environmental protection and the conservation of natural resources are inseparably linked to the struggle to prevent the thermonuclear catastrophe, the struggle for peace and hence also for life on our planet. The Soviet Union is a standard-bearer of peace. The Communist party and Soviet government are waging a battle for peace that is of historic significance to mankind. These efforts meet with understanding from the progressive public in all countries.

The Soviet Union takes an active part in international cooperation in the field of the protection of nature under the United Nations Environmental Program (UNEP) and within the framework of CEMA and other governmental and non-governmental organizations. Recently M. Tolba, the executive director of UNEP, had visited Moscow. He expressed his satisfaction with the work being done in this country on environmental protection and conservation of natural resources and pointed to the great contribution made by the USSR to the development of international cooperation on these problems. He also responded positively to our proposal for the further expansion, on a mutually advantageous basis, of the exchange of

information among the member countries of UNEP on aspects of the development of low-waste and waste-free technological processes.

In recent years the UN has adopted a number of important international documents on the protection of nature, drafted with the active participation of the Soviet Union. They include: the resolution "On the Historic Responsibility of Countries for Preserving the Earth's Nature for the Present and Future Generations" (1981) and the Worldwide Chart of Nature (1982). In this country the principles contained in these documents are fully adhered to. A solicitous treatment of nature is affirmed in the USSR Constitution, the decisions of the CPSU congresses and the laws of the land.

We observe a completely different situation in the capitalist countries, where man and nature both are subject to merciless exploitation. The general crisis of capitalism, exacerbated in recent years, is accompanied by an ecological crisis. In some places this has turned into a veritable calamity. In their pursuit of maximum profits the transcontinental monopolies strive to locate the most noxious types of production in the developing countries without showing any concern for environmental protection, and they are exploiting by barbarous methods the natural resources of these countries.

Environment is being destroyed and natural resources are being irrationally expended by the militarization of the economies of the United States and their NATO partners; their production, testing and storage of large quantities of nuclear, chemical, bacteriological and other weapons; and the discharge of radioactive and highly toxic wastes into the waters of the World Ocean.

On this World Day of Environmental Protection, the Soviet people turns to the progressive public and all men of goodwill on our planet with the appeal to intensify the struggle to avert the thermonuclear catastrophe, for peace and for the preservation of Earth's natural riches in behalf of the present and future generations.

1386

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REGIONAL DEVELOPMENT

ECONOMY OF CENTRAL ECONOMIC REGION REVIEWED

Moscow EKONOMICHESKAYA GAZETA in Russian No 21, May 83 p 10

[Article by N. Kazanskiy, chief of the USSR Gosplan subsection: "The Central Economic Region"; for related articles, see JPRS 83391, 3 May 1983, No 1051 of this series, pp 87-88]

[Text] Issue No 11 of EKONOMICHESKAYA GAZETA described the Northern Economic Region. Upon the request of many readers, other economic regions will also be presented.

The Central Region occupies a leading position among the USSR economic regions both in terms of the volume of industrial production and in terms of the level of scientific and sociocultural development. It includes Moscow, Bryansk, Vladimir, Ivanovo, Kalinin, Kaluga, Kostroma, Orel, Ryazan, Smolensk, Tula and Yaroslavl oblasts of the RSFSR. The area is 485,000 km² (around 2 percent of the nation's territory) with a population of 29.3 million persons on 1 January 1982.

The nucleus of the region is the capital of the Soviet Union and the RSFSR, Moscow (8.2 million persons). Located in Moscow and Moscow Oblast are over 1,300 major industrial associations and enterprises, more than 1,000 scientific and design institutes, including the leading scientific research institutes of the USSR Academy of Sciences and the head sectorial institutes of the ministries and departments and around 80 of the nation's most prominent institutions of higher learning.

In the Central Region, due to the limited local raw material and energy sources, there has been the predominant development of manufacturing production such as diverse types of machine building and metalworking, the chemical and light industries.

Machine building is responsible for around one-third of the region's industrial product and a significant share of the national output of machine building products. Widely represented here is transport machine building in the form of the production of diesel locomotives, railroad cars, trucks and passenger vehicles, motorcycles and scooters. There has been extensive development of the electronic, electrical engineering and radio engineering industries and instrument building, machine tool building, as well as the production of production equipment for the light and food industries. The region's industry

produces nine-tenths of the looms and dyeing-finishing equipment, more than one-half of the equipment for the garment and footwear industries and more than one-third of the equipment for the knitwear industry.

The textile industry is responsible for over one-quarter of all the industrial product in the region. Here are produced around 60 percent of the nation's cotton and linen textiles, over 40 percent of the wool and silk textiles and about 15 percent of the knitwear articles.

The region's chemical industry produces a significant portion of chemical fibers, motor vehicle tires and plastic products. Widely represented are the paint and varnish and photographic chemicals industries as well as household chemistry. Local deposits of phosphorites are being exploited in Moscow and Bryansk oblasts. Large enterprises producing mineral fertilizers operate using these raw materials as well as shipped-in apatite concentrate.

Of intraregional significance are other industrial sectors such as electric power, metallurgy, building materials, woodworking, printing, medical and food.

The region's agriculture is marked by a suburban orientation to satisfy the needs of the numerous urban population. The southern part is more tilled. Here the plantings of winter rye and wheat are combined with large areas under the plantings of grain-legumes, potatoes and sugar beet. In the northern part of the region there is the prominent growing of flax (one-third of the national plantings) and these are combined with plantings of cereals, pulse crops and potatoes. The Central Region holds the first place in the nation in terms of the flax, potato and vegetable crops.

The region's livestock raising is specialized in the raising of dairy and meat cattle and hog raising.

The region possesses a developed transport network represented by all types of transport. It stands out in the enormous volumes of freight shipments and provides contact with all the economic regions of the nation.

Industrial development in the Central Region has basically occurred by making better use of the created production potential and by reconstruction and technical reequipping of operating enterprises, without increasing the number of employees. The Smolensk and Kalinin nuclear power plants are being built to increase the efficiency of power supply for the region.

10272

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REGIONAL DEVELOPMENT

BETTER PLANNING, FINANCING OF INDUSTRIAL COMPLEXES PROPOSED

Moscow EKONOMICHESKAYA GAZETA in Russian No 21, May 83 p 10

[Article by Candidate of Economic Sciences B. Annenkov, senior science associate at the Scientific Research Financial Institute: "Problems of Unified Planning in Territorial-Production Complexes"]

[Text] In terms of the scale of capital construction, the territorial-production complexes [TPK] have no equals over the entire history of socialist construction. In 1964-1980, 55 billion rubles were channeled into the forming and development of the Western Siberian TPK alone. Construction in the TPK continues to broaden.

Under these conditions, the problem of improving capital investment financing, the concentration and proper use of the financial resources on integrated construction and the prompt completion of the production and social-service installations has assumed timely significance.

Financing Sources

The financing sources of capital investments for the formation and development of the TKP are the funds of the state budget and the internal assets of the ministries, departments, associations and enterprises.

For example, at the Western Siberian TPK, during the first years of its development budget allocations comprised 80-85 percent and now are over 60 percent. The share of internal funds of the ministries, departments and enterprises in 1980 exceeded 29 percent and this is explained chiefly by the significant growth of amortization deductions as a consequence of the increased value of the productive capital. The share of profit from the enterprises and organizations in financing the TPK projects does not exceed 10 percent, the share of the production development fund is up to 3 percent, amortization deductions are around 16 percent and long-term credits are 6-7 percent.

The budget allocations go to construct the TPK projects by making the allocations available to the sectorial ministries. The sectorial financing of capital investments which has been the basic type undoubtedly has definite positive aspects, ensuring a concentrating of ministry resources for the pioneer development of the new areas. However, the predominantly sectorial method of

planning and financing frequently leads to the scattering and misuse of resources, to violations of balance and proportionality in the development of the TPK and to departmental isolation.

Proportional Participation

One of the means for overcoming departmental barriers can be integrated construction of the production and social-service projects by proportional financing.

This undoubtedly is a positive phenomenon in capital construction practices. However, its broad development encounters significant difficulties over the varying financial possibilities of the builders and changes in the sectorial plans. There is also a reticence on the part of the builders to assume the operating of auxiliary economic and service facilities which are to be common to the groups of enterprises and organizations.

The ministries frequently refuse proportional participation in financing, desiring to maintain their independence in allocating the product of the enterprises to be created.

Nor is proportional financing strengthened by the existing procedure whereby a participant in the contract is empowered to turn over only a portion of the agreed-upon funds and at any time even to pull out of the share. This leads to violations of the construction dates. But the basic drawback is that the practice has developed of combining construction for only the social and service projects.

All of this shows that proportional financing requires a fundamental improvement and the incorporating into its functioning of planning principles which regulate the construction of not only the projects in the social-service and production infrastructure, but also the production-end projects which are common to groups of enterprises, industrial centers and TPK.

TPK Financial Plans are Needed

The departmental isolation in the planning and use of financial and material resources is one of the reasons for the existing practice of incorporating newly commenced projects in the plans of the builder-sectors with a lack of financing for previously commenced projects. This leads to the scattering of resources and to an increased amount of incomplete construction.

Analysis indicates that the overcoming of such practices to a significant degree depends upon a solution for the questions of the concentration and coordinated use of the financial and material-technical resources. For these purposes it is essential to strengthen the unity of action on the part of the builders and the oblast (krai, ASSR) soviets in financing both the production and the social projects of the TPK. For ensuring such unity, in our opinion, it is essential to observe definite financing rules.

Among the basic ones we would put a specific program approach to evaluating the financial resources for the accelerated and proportional development of the TPK

as well as the integrated use of the planned funds considering an optimum combination of sectorial and intersectorial interests. A concentrating of the financial assets is important as well as their material collateral for the prompt completion and development of production capacity and nearly completed complexes. Of course, control by the institutions of the financial and credit system over the expenditure of the resources is essential.

For this reason, along with a long-term program, plans (basic indicators) for economic and social development and capital construction plans worked out for each TPK, the need has arisen of also drawing up capital investment financing plans.

Such plans can become an instrument for a direct influence by the financial and credit bodies on the integrated and balanced development of the TPK economy. These plans will help in determining the volume and structure of financing sources for the capital investments for the complex as a whole, for the industrial centers, ministries and departments as well as the degree to which capital construction is supplied with financial resources. They will be the basis for working out measures to concentrate and redistribute the financial resources for carrying out the economic and social development plans and exercising control functions.

The capital investment financing plan for a TPK, we feel, should reflect the sectorial composition and territorial-production structure (industrial centers, groups and individual enterprises) of the complex, it should be worked out for 5 year and annual periods and consist of two parts: resource and expenditure.

The expenditure portion should establish the total volumes of capital investments, including for the projects of the sectorial ministries and departments, with the isolating of expenditures for the construction of intersectorial production projects, the production and social-service infrastructure as well as expenditures on the industrial centers and the TPK as a whole.

Here the total amount of capital investments in the expenditure portion should be balanced with the resource one, that is, equal the amount of planned receipts from the enterprises, organizations, associations, combines, ministries and departments according to the financing sources.

The Unified Financing Fund

The plan, as described here, will have to provide, we feel, for the forming of a single capital investment financing fund for the TPK using a portion of the funds of the ministries, their enterprises and organizations for building the production and social-service installations common to the industrial centers and the TPK as a whole. The formation of such a fund would mean a transition to a higher form of cooperation and specific utilization of the money.

The elaboration of a single financial plan for capital construction in the TPK, with the isolating of a fund for intersectorial and territorial construction, would obviously necessitate the setting up in the republics and oblasts of territorial capital construction administrations with the right for the centralized use of the money in the unified fund for building the projects of the production and social-service infrastructure on an interdepartmental basis. Similar administrations in Belorussia could serve as an example of such an organizational solution.

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